Canada Revenue Agency | Agence du revenu du Canada

Canada

Annual Report to Parliament 2014-2015

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Table of Contents

A message from the Minister - - -

A message from the Minister

As the new Minister of National Revenue, I am proud to lead the Canada Revenue Agency (CRA). I would like to thank the Commissioner and his team for their warm welcome since I was appointed by the Prime Minister of Canada. I have no doubt that the CRA works tirelessly to improve the services that it offers to its clients, consisting of millions of taxpayers, be they individuals, benefit recipients, entrepreneurs, and tax professionals.

This annual report includes a detailed account of achievements and issues at the CRA in 2014-2015. Although I have been on the job for only a short time, I would like to take the opportunity of this first "Message from the Minister" to present the main elements of the mandate the Prime Minister has given me so that I can tell you what is in store for the CRA in the near future.

My main objectives as Minister of National Revenue, as defined in my mandate letter, are to draw on the well-established reputation of the CRA as a fair and equitable organization and to facilitate access to its services. I therefore plan to lead the work to overhaul our service model so that everyone who interacts with the CRA is treated like a valued person, not just a taxpayer.

In particular, I will work with my colleagues through legislative, regulatory, and Cabinet processes to deliver on my top priorities, described below, which stem directly from our commitments during the election campaign.

First, I want to ensure that the CRA is a client-focused organization that:

- takes the initiative to contact Canadians who are not receiving the tax credits or benefits they are entitled to;
- offers to complete returns for some clients, particularly those with lower incomes or fixed incomes, whose financial situation does not change from year to year;
- supports more Canadians who want to file their income tax returns without using paper forms; and
- delivers correspondence and other communications that are clear and easy to read.

My second priority will be to allow charities to do their work on behalf of Canadians free from political harassment, and work with the Minister of Finance to modernize the rules governing the charitable and not-for-profit sectors.

> *The CRA has a strong tradition of providing guidance and support to Canadians in understanding and meeting their tax obligations.*
>
> — Diane Lebouthillier

To this end, the rules governing "political activity" will need to be clarified, while keeping in mind that charities make an important contribution to public debate and public policy. A new legislative framework to strengthen the sector will emerge from this process. This will also require work with the Minister of Families, Children and Social Development to develop a social finance and social enterprise strategy.

Finally, additional resources will be invested to help the CRA crack down on tax evaders and work with international partners to adopt strategies to combat tax avoidance.

Over the coming weeks, with the assistance and opinions of experts at the CRA, we will put the final touches on our plans and will work to make our commitments and our priorities a reality.

I plan to adopt the new government's values as my own: an open, honest government that is accountable to Canadians, that lives up to the highest ethical standards, and that applies the utmost care and prudence in handling public funds to earn the trust and respect of Canadians.

The CRA has a strategic role that affects all Canadians. I am pleased to lead the CRA so that we continue to offer Canadians the quality services that they expect and deserve. It is therefore with great pleasure that I present the 2014-2015 annual report.

The Honourable Diane Lebouthillier, P.C., M.P.
Minister of National Revenue

Foreword by the Chair

Over this reporting period, as Chair of the Board of Management, I collaborated with members of the Board to fulfill our statutory obligations.

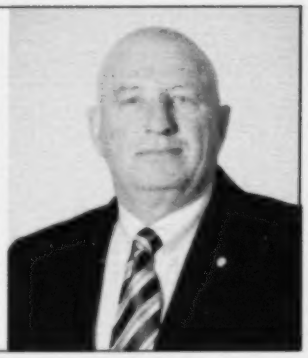
All Board members also worked with the Commissioner, senior management and employees of the CRA, to ensure the achievement of the strategic objectives outlined in the Agency's Corporate Business Plan.

This fiscal year, the Board introduced a new oversight instrument, the "Board Commitments and Performance Dashboard," which offers a timely quarterly update on the status of the CRA's commitments from the Corporate Business Plan.

The Board maintained the CRA's focus on continually improving service to Canadians and reducing red tape for individuals and small and medium-sized businesses. In addition, the Board strongly supported CRA initiatives to enhance employee integrity and protect personal information and data security.

The Board supports the CRA's commitments to continual improvement in service to Canadians, and the reduction of red tape for individuals and small businesses.

— Richard (Rick) Thorpe



The Board is very supportive of the CRA's engagement of its employees and welcomed outcomes such as the CRA's "Proudly Delivering" report for the government's Blueprint 2020 initiative to build the future public service.

The Board members and I continued our interaction with employees of the CRA at Headquarters and in regional locations across Canada. As Chair of the Board of Management, I would like to express the Board's thanks to CRA employees across the country for all their efforts in 2014-2015. On behalf of the CRA Board of Management, I am pleased to recommend this report to the Minister of National Revenue, the Honourable Diane Lebouthillier, for tabling in Parliament.

Richard (Rick) Thorpe, CPA, CMA, FCMA
Chair,
Board of Management

A message from the Commissioner

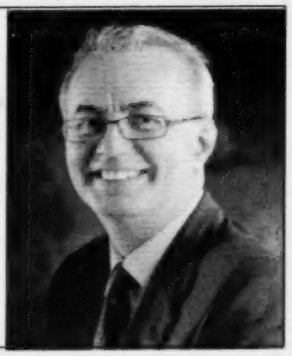
As Canada's tax administrator, the CRA's priorities are service, compliance, integrity and security, and innovation. In 2014-2015, we made significant progress in each of these areas thanks to the dedication and commitment of our employees.

The CRA is a leader in e-service delivery and over four out of five Canadians take advantage of our quick and convenient e-filing services. In 2014-2015, we introduced more e-forms and began accepting more taxpayer documents online. We launched new online payment options for individuals and businesses. We also launched two mobile apps, one to provide access to tax information and one to provide tax reminders to businesses.

Part of providing better service is making it easier for Canadians to find the information they need. The CRA has been a leading contributor to the Government of Canada's Web Renewal initiative which will consolidate all government information on Canada.ca.

The Agency also reaches out to help taxpayers with other types of services. In 2014-2015, we launched our Liaison Officer Initiative across Canada. The CRA's liaison officers work with small and medium enterprises to help them avoid errors and reduce the likelihood of being audited in the future. Of the businesses visited, 90% said they better understood tax matters and 92% said this approach would be useful to other businesses. Also last year, the CRA's Community Volunteer Income Tax Program worked with over 2,000 organizations and their 16,000 volunteers to prepare 600,000 tax returns for Canadians who needed help.

> While service and compliance are the external face of the Agency, integrity and security are at the heart of our business.
>
> — Andrew Treusch



Consistent with our on-going efforts to deter non-compliance, we have also intensified our focus on those areas at risk of failing to comply. In particular, we have developed and launched automated systems to better track and collect tax debts, to conduct enhanced risk assessments, and to track activities concerning taxpayers who fail to register. To enhance and sustain our effectiveness in identifying revenue at risk within our borders, we implemented a new Underground Economy Strategy.

On the international front, we continued our efforts to address tax avoidance and tax evasion. Our important work in this area allows Canada to maintain a crucial role in the International discussions around topics such as Base Erosion and Profit Shifting.

While service and compliance are the external face of the Agency, integrity and security are at the heart of our business. Our CRA Code of Ethics and Conduct contributes to a greater understanding and awareness of integrity and security issues amongst our employees, and also incorporates effective and appropriate disciplinary instruments to maintain overall integrity. In 2014-2015, we implemented measures to strengthen internal controls over system access and enforce Agency security policies and standards.

To advance each of these priorities, we trust and rely on our people. Thanks to our employees, the CRA delivered $22 billion in benefits to Canadians in 2014-2015, and processed $469 billion in taxes on behalf of Canadian governments. In 2014, the CRA was chosen as a Top Youth Employer in Canada, and a Top Employer in the National Capital Region, both of which are indicative of our commitment to employees. We recognize that people are the foundation of the CRA, and it is with pleasure that I take this opportunity to thank our employees for their dedication and hard work.

Andrew Treusch
Commissioner of the Canada Revenue Agency

OUR MISSION

We administer tax, benefits, and related programs, and ensure compliance on behalf of governments across Canada, thereby contributing to the ongoing economic and social well-being of Canadians.

Section 1
Organizational Expenditure Overview

Organizational profile

Appropriate Minister: The Honourable Diane Lebouthillier, P.C., M.P.

Institutional head: Andrew Treusch

Ministerial portfolio: National Revenue

Enabling instrument: *Canada Revenue Agency Act*
www.laws-lois.justice.gc.ca/eng/acts/C-10.11/[ii]

Year of commencement: 1999

Organizational context

Raison d'être

The Minister of National Revenue is responsible for the Canada Revenue Agency (CRA). The CRA is responsible for administering, assessing, and collecting hundreds of billions of dollars in taxes annually. The tax revenue it collects is used by federal, provincial, territorial and First Nations governments to fund the programs and services that contribute to the quality of life of Canadians. The CRA also uses its federal infrastructure to deliver billions of dollars in benefits, tax credits, and other services that support the economic and social well-being of Canadian families, children and persons with disabilities.

In carrying out its mandate, the CRA strives to ensure that Canadians:

- pay their required share of taxes;
- receive their rightful share of entitlements; and
- are provided with an impartial and responsive review of contested decisions.

At a glance

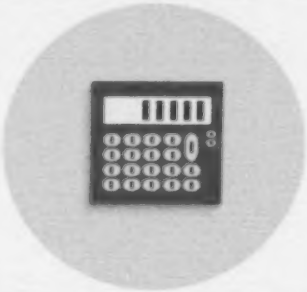
157M
website visits and 20 million forms and publications downloaded

23M
enquiries answered through agents and automated services

82%
individual returns filed online during the 2015 tax season

86%
corporation income tax returns filed online

$469B
in taxes and duties processed



$255B
collected through source deductions

31M
individuals and businesses interacted with the CRA

$52B
in outstanding tax debt resolved

$22B
paid to 12 million benefit recipients

135
benefit and credit programs administered on behalf of provinces, territories, and federal government

Responsibilities

The Agency has a broad range of responsibilities. In addition to administering the *Income Tax Act* and the *Excise Tax Act*, the CRA administers legislation relating to the Canada Pension Plan and the employment insurance program. It also enforces legislation governing charities, collects tobacco taxes and duties, administers registered plans, and collects debts for the federal government.

Serving taxpayers: The CRA gives taxpayers the accurate and timely information they need to comply with Canada's tax laws through its website, call centres, publications, and technical interpretations and rulings. The Agency regulates charities and monitors and administers deferred income and savings plans to make sure they meet legal requirements. It assesses and processes tax returns and payments for individuals and businesses as quickly and accurately as possible.

Promoting and enforcing tax compliance: The CRA identifies, addresses, and deters non-compliance with Canada's tax laws by promoting and enforcing compliance. It conducts outreach activities, provides targeted taxpayer assistance, and educates taxpayers of their tax responsibilities. It undertakes domestic and international examinations, audits, and criminal investigations. It helps to resolve tax debt quickly and it enforces compliance with tax laws for registering, filing, withholding, and paying debt obligations.

Facilitating redress: The CRA provides a fair and impartial redress process to resolve disputes and requests for relief arising from decisions the CRA made. If taxpayers are not satisfied with the outcome of this process, they can appeal to the courts.

Administering benefits: The CRA administers a range of ongoing benefits and one-time payment programs for the provinces and territories and the federal government, such as the Canada child tax benefit, the goods and services tax/harmonized sales tax credit and the universal child care benefit. The Agency makes sure the right benefit payment goes to the right individual at the right time and gives recipients accessible information and timely responses to their enquiries.

Strategic outcomes and program alignment architecture

Strategic Outcome	Program	Subprogram
Taxpayers meet their obligations and Canada's revenue base is protected	Taxpayer and Business Assistance	• Taxpayer Services – Enquiries and Information Products • Registered Plans • Policy, Rulings and Interpretations • Charities • Charities – Public Safety and Anti-Terrorism
	Assessment of Returns and Payment Processing	• Individual Returns and Payment Processing • Business Returns and Payment Processing • Goods and Services Tax Administration in Quebec
	Reporting Compliance	• International and Large Business • Small and Medium Enterprises • Scientific Research and Experimental Development • Criminal Investigations Program • Voluntary Disclosures Program
	Collections and Returns Compliance	• Trust Accounts – Compliance • Non-Filer – Compliance • Collections – Tax and Government Programs
	Appeals	• Income Tax Objections, Determinations and Appeals to the Courts • Commodity Taxes Objections, Determinations and Appeals to the Courts • Canada Pension Plan/Employment Insurance Appeals to the Minister and Appeals to the Courts • Service Complaints • Taxpayer Relief
Eligible families and individuals receive timely and accurate benefit payments	Benefit Programs	• Benefit Enquiries • Benefit Programs Administration • Statutory Children's Special Allowance Payments
Taxpayers and benefit recipients receive an independent and impartial review of their service-related complaints	Taxpayers' Ombudsman	• N/A
Internal services	N/A	• N/A

Organizational priorities

The CRA helps sustain the economic and social well-being of Canadians. It collects tax revenues to support the important social programs and essential services delivered by Canada's federal, provincial, territorial, and Aboriginal governments. In 2014-2015, the CRA interacted with more than 31 million individuals and businesses, processed over $469 billion in taxes and duties, and issued almost $22 billion in benefits payments to approximately 12 million recipients. While many of our initiatives this past year focused on change and continuous improvement, we have not changed the fundamental elements which shape and define our business: service, compliance, integrity and security, innovation, and people.

Service: Information and digital services aid compliance

The CRA's approach to service transformation is fully aligned with government of Canada priorities, and aims to improve the way we serve Canadians, increasing the number and uptake of digital services, and reducing red tape. We focus on making it easier for those who want to comply with their tax obligations and difficult for those who do not, while meeting the highest standards of integrity and security. In 2014-2015, the Agency concentrated on using technology to expand digital services and keep pace with the evolving needs of Canadians.

Cutting red tape for small and medium businesses

We also continued to streamline filing and reporting processes and reduce red tape. In the fall of 2014, the Agency held a second round of red tape reduction consultations with small and medium businesses, bookkeepers, accountants, and stakeholder associations. We included in-person, online, and written consultations to make sure everyone in the business community could be heard. Participants welcomed the progress we have made so far and gave valuable feedback on what should be our new priorities.

Focus on non-compliance

Canada enjoys a high level of compliance, with 93% of individuals filing their tax returns and paying on time without CRA intervention. This lets the CRA focus on addressing non-compliance in all its forms, including failure to file or register, failure to report a business activity or income, failure to report employment income, or failure to pay taxes owing.

In 2014-2015, new technology, advanced data analysis, and improved risk-management techniques gave us a better look at behaviours and trends among corporate taxpayers, from small and medium enterprises to large, complex companies. This insight allowed us to more effectively address ongoing issues such as the underground economy and aggressive tax planning.

In 2014-2015, the CRA advanced each of its five strategic priorities and delivered on its commitments to the Government of Canada and our Board of Management. Our accomplishments for our strategic priorities are summarized in the following tables. Each priority and the Agency's accomplishments for this fiscal year are detailed in the later chapters on our programs.

IN FOCUS

Blueprint 2020

The CRA is achieving the Blueprint 2020 vision for an agile, efficient, and effective public service able to meet the changing needs of Canadians. We are making progress on our Blueprint 2020 priorities, which focus on using modern technology to improve services to taxpayers and strengthening our organization with better tools, processes, and support for employees. Some of our Blueprint 2020 achievements in 2014-2015 include the following:

Blueprint 2020 and our services

- Mobile apps – make it possible to access tax information and to set business tax reminders from mobile devices.
- Online mail for individuals – individuals can view electronic notices of assessment and reassessment through My Account.
- Pre-authorized debits – individuals and businesses can authorize the CRA to withdraw a predetermined payment amount directly from their account at a Canadian financial institution.
- Submit documents – users can submit documents electronically when the CRA asks them to.
- Manage direct deposit – business owners and their delegated authority can now add and maintain direct deposit for their various business accounts.
- Online mail for representatives – authorized representatives can receive their clients' pre-assessment review and processing review letters electronically through Represent a Client.
- Represent a Client online service – now accessible to non-resident representatives living in the United States.

Blueprint 2020 and our organization

- Launched a more modern, dynamic, and user-focused intranet to help employees find what they need to do their work more efficiently and to highlight and share employee perspectives and experiences, so we can all learn from one another.
- Showcased employee pride and best practices on the intranet through specific examples of employees going above and beyond the call of duty.
- Participated in government-wide recruitment initiatives, such as the Federal Student Work Experience Program and the Post-Secondary Recruitment campaign, which allows us to attract more talent, save time, and reduce red tape.
- Piloted an online upward feedback tool, which allows employees to provide feedback to their team leaders, managers, and executives on their leadership skills.

Our priorities contributed to progress towards achieving our strategic outcomes:

> Taxpayers meet their obligations and Canada's revenue base is protected

> Eligible families and individuals receive timely and accurate benefit payments

Priority	Summary of Progress in 2014-2015
Service	We improved service in 2014-2015 by: • eliminating more than 800,000 payroll remittances for over 50,000 small businesses as part of our red tape reduction efforts. This earned the former Minister of National Revenue the prestigious Golden Scissors Award for significant achievements in red tape reduction from the Canadian Federation of Independent Business. • continuing to expand the types of transactions which can be done online. New options include e-filing GST/HST elections forms and Partnership Information Returns, sending supporting GST/HST documentation electronically, and enabling individuals and businesses to set up and manage pre-authorized debit agreements. • working with the Treasury Board Secretariat to advance the Web Renewal Initiative, which will provide Canadians with one comprehensive online resource for all government information. In 2014-2015, the Agency produced eight new topic landing pages and began reviewing, rewriting, and reorganizing CRA Web content to be ready for future migration to the central website, Canada.ca[iii]. • streamlining our business Interactive Voice Response system to make it easier for callers to connect with an agent, and better equipping agents to offer more information and assistance.
Compliance	We improved compliance in 2014-2015 by: • implementing several measures to combat the underground economy, including creating an advisory committee of representatives from key stakeholders across Canada, creating a new Agency-wide strategy, forming specialist teams, and conducting awareness activities which focused on reducing the social acceptability of participating in the underground economy. • implementing a three-point plan to support and improve compliance among small and medium-sized enterprises composed of the Liaison Officer Initiative, the Registration of Tax Preparers Program, and the Industry Campaign Approach. • setting up a system to receive reports from financial intermediaries on international electronic funds transfers of $10,000 or more. • increasing public awareness of the Offshore Tax Informant Program in its first year, and establishing the program's policies and procedures. Launched in January 2014, the program offers financial awards to individuals who provide information related to major international tax non-compliance resulting in the CRA collecting taxes owing. • developing and launching automated systems to track and collect tax debts, conduct risk assessments, and track inventory and production related to non-registrants. • formalizing our partnership with the Chartered Professional Accountants of Canada through the *CRA-CPA Canada Framework Agreement* signed in November 2014. This agreement connects the CRA with more than 190,000 professional accountants in Canada and uses their connections with taxpayers to better educate Canadians on the tax system and their obligations.

Priority	Summary of Progress in 2014-2015
Integrity and security	In 2014-2015, we supported integrity and security by: • including integrity measures in all executive performance agreements and completing advanced security screening for all executive positions. We also launched the Manager's toolbox on values, ethics, and integrity to support ongoing discussions and engagement with employees on questions of integrity and security. • putting in place a new reporting mechanism to allow employees to challenge and report any wrongdoing they may observe in the course of their work. Employees are expected to act with integrity in everything they do, the CRA investigates when concerns are raised to determine whether allegations of wrongdoing are founded. • monitoring employee accesses to taxpayer information. We continued to enhance our ability to confirm employees' access to and use of taxpayer information only for its intended purposes. • continuing work on the Identity and Access Management program, which will improve internal controls over system access, compliance, and enforcement of Agency security policies and standards. • implementing procedures to help protect portable storage devices containing Agency information from unauthorized disclosure or infection from malicious software. • establishing a working group with the Canada Border Services Agency and Shared Services Canada (SSC) to standardize rules and processes for managing system access involving CRA data stored on SSC infrastructure. • providing a mandatory online security course for all employees. We also produced security "KnowHow" videos and quarterly security bulletins and newsletters, which we made available to all employees on the CRA intranet. We conducted security awareness activities to emphasize to employees their responsibilities concerning cybersecurity and protecting information. • automating the Personnel Security Screening renewal process which will make sure all CRA employees have valid and appropriate screening levels.
Innovation	In 2014-2015, we demonstrated innovation by: • developing and launching two mobile apps, making it possible to access tax information and set business tax reminders from mobile devices. • using advanced research and data analysis to identify areas of potential non-compliance, then applying nudge techniques. For example, we send targeted letters to remind recipients of specific tax obligations. We used this approach in many areas to address potential non-filers and non-GST/HST registrants. • partnering with industry associations to give businesses sector-specific tax information to help them meet their tax obligations. For example, the CRA partnered with the Canadian Home Builders' Association on the "Get it in Writing"[iv] campaign, which focuses on non-tax related risks faced when hiring a contractor engaged in the underground economy. • launching the Accelerated Business Solutions Lab to support Agency and government priorities by using innovative approaches such as advanced data analysis and behavioural economics to undertake projects. The lab uses data from taxpayer and business tax returns and compares similar businesses to find trends and anomalies. • earning a 2014 Distinction Award for the CRA's Destination 2020 project at the Government Technology Exhibition and Conference in recognition of leadership and excellence in the innovative management and application of information and IT in the public sector.

Priority	Summary of Progress in 2014-2015
People	In 2014-2015, we supported our people by: • participating in government-wide recruitment initiatives, such as the Federal Student Work Experience Program and the Post-Secondary Recruitment campaign, to recruit more talent while saving time and reducing red tape. In 2014-2015, the CRA was recognized as a top employer of young people and a top employer in the National Capital Region. • launching the HR Service Centre, a comprehensive service catalogue which provides a single point of access for all human resources services. Over 30,000 requests were submitted between June 2014 and March 31, 2015. This new tool will be instrumental in monitoring HR services and providing valuable information for further improvements. • encouraging employees to put the CRA culture of integrity into action every day and helping them do so through our annual review of the CRA's Code of Ethics and Conduct and Conflict of Interest policies. • strengthening the CRA's Performance Management Program by enabling managers and employees to engage in meaningful discussions through mandatory mid-cycle reviews. • implementing the Common Human Resources Business Process, which is a set of common business processes designed to standardize, simplify, and streamline human resources management across the Government of Canada. • reviewing the CRA's competency system to streamline and simplify the use of competencies in staffing. • updating our intranet, making it easier for employees to find the information they need to do their work more efficiently and highlighting employee perspectives and experiences to share best practices with everyone.

Risk analysis

The CRA's commitment to enterprise risk management and demonstrated ability to manage risk helps to maintain the trust and confidence of its partners, stakeholders, and all Canadians, and contributes to the Agency's effective administration of tax and benefits.

To support the use of enterprise risk management in corporate decision-making, the CRA produces an annual corporate risk profile which identifies and analyzes the risks with the potential to prevent the CRA from achieving its mandate.

In 2014-2015 the top three enterprise risks were aggressive tax planning, the underground economy, and protection of information. The prioritization of these three risks reflects their potential impact on the CRA's commitment to service, compliance, integrity, security and innovation. By making sure its risks are properly identified and managed, the CRA continues to make certain it is well positioned to achieve its mandate.

Key risks

Risk	Risk Response Strategy	Link to Program Alignment Architecture
Aggressive tax planning	• The CRA uses a variety of strategies to identify and address aggressive tax avoidance, including evaluating and refining risk assessment models and developing a new training framework for auditors working on aggressive tax planning cases. • The Agency continued to participate in the Organisation for Economic Co-operation and Development's Committee on Fiscal Affairs, where discussions on Base Erosion and Profit Sharing are taking place.	Reporting Compliance
Underground economy	• We developed an enhanced Agency-wide strategy for combatting the underground economy, which outlined three themes: – refining our understanding of the underground economy; – reducing social acceptability of participating in the underground economy; and, – implementing initiatives to promote compliance and reduce participation in the underground economy. • The former Minister of National Revenue created the Minister's Underground Economy Advisory Committee to provide the CRA with direct access to industry perspectives and input to help shape the Agency's and the Government of Canada's strategy for tackling the underground economy. The committee is composed of representatives from key industry stakeholder organizations representing a broad cross-section of the Canadian business community and tax professions. • The CRA continued to dedicate specialized resources to combat high-risk underground economy files.	Reporting Compliance

Risk	Risk Response Strategy	Link to Program Alignment Architecture
Protection of information	• The CRA continued to operate with robust systems and controls designed to protect the personal information of Canadians. Over the past year, the following initiatives supported the Agency priorities of integrity and security: – we included integrity measures in all executive performance agreements and completed advanced security screening for all executive positions. – we continued to work on projects to monitor employee transactions on CRA systems to make sure taxpayer information is accessed and used only for its intended purposes. – we implemented procedures to help protect devices containing Agency information from unauthorized disclosure or infection from malicious software. – we conducted security awareness activities throughout the year. – we established a working group with the Canadian Border Services Agency and Shared Services Canada to standardize rules and processes for managing system access involving CRA data stored on Shared Services Canada infrastructure.	Internal services

Aggressive tax planning and underground economy risk

A small but significant minority of taxpayers willingly participates in aggressive tax planning or in the underground economy. Participating in these activities undermines the integrity of the Canadian tax system, negatively affects the economy, and creates an uneven playing field for individuals and businesses.

For 2014-2015, the CRA implemented several measures to deter aggressive tax planning and reduce participation in the underground economy. The Agency also identified new compliance risks related to evolving technologies, platforms, and shifting business models.

Protection of information

Protecting the information of taxpayers and benefit recipients remains a key priority for the CRA. Canadians trust the CRA to safeguard their information and carry out its duties with the highest level of integrity and security. Because the Canadian tax system is based primarily on voluntary compliance, upholding public trust is critical to the CRA's mandate. In 2014-2015, we made significant progress on a number of fronts, as the CRA dedicates itself to vigorously keeping pace with the changing environment related to protecting information.

Actual expenditures

	2014-15 Main Estimates	2014-15 Total Authorities[1]	2014-15 Planned	2014-15 Actual[2]	2014-15 Difference (Planned minus Actual)
Budgetary financial information (dollars)	3,861,256,109	4,332,396,452	3,876,796,322	**4,060,833,990**	(184,037,668)
Human resources (FTE)			38,251	**38,561**	(310)

1 The CRA's total authorities increased by $455.6 million, or 11.8% over the planned spending identified in the Report on Plans and Priorities. This is mainly due to increases for the carry-forward of funds from 2013-2014, severance payments, parental benefits, vacation credits, the one-time transition payment for implementing the pay-in-arrears model, and enhancements to non-audit compliance programs. The increases are offset by reductions in the statutory authority for the disbursement of softwood lumber export charges to the provinces and the children's special allowance payments. For more information, see table "authorities approved after Main Estimates" on page 26.

2 Modified cash basis, based on Parliamentary appropriations used. See pages 104-105 for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

Budgetary performance summary for strategic outcomes and programs

(dollars)	2012-13 Actual Spending	2013-14 Actual Spending	2014-15 Main Estimates	2014-15 Total Authorities	2014-15 Planned Spending[1]	2014-15 Actual Spending	2015-16 Planned Spending	2016-17 Planned Spending
	Strategic outcome: Taxpayers meet their obligations and Canada's revenue base is protected							
Taxpayer and Business Assistance[2]	453,280,238	350,801,699	350,017,682	307,044,650	350,905,225	**292,809,925**	280,181,661	281,567,318
Assessment of Returns and Payment Processing[3]	643,799,856	649,108,155	597,018,261	689,410,927	627,544,966	**640,377,518**	614,590,330	605,246,609
Reporting Compliance	1,170,473,553	1,084,562,230	1,054,502,522	1,142,412,219	1,062,102,673	**1,108,667,741**	1,045,193,249	1,031,278,872
Collections and Returns Compliance	512,217,726	496,787,602	440,164,211	551,816,289	440,670,268	**519,837,234**	469,453,195	469,262,938
Appeals	192,046,153	190,219,456	194,334,428	212,604,164	194,675,861	**204,406,362**	179,658,662	177,823,494
Sub-total	**2,971,817,526**	**2,771,479,142**	**2,636,037,104**	**2,903,288,249**	**2,675,898,993**	**2,766,098,780**	**2,589,077,097**	**2,565,179,231**
	Strategic outcome: Eligible families and individuals receive timely and accurate benefit payments							
Benefit Programs[4]	383,719,460	374,414,324	390,354,003	362,942,761	390,442,143	**351,409,527**	375,217,640	377,704,372
Sub-total	**383,719,460**	**374,414,324**	**390,354,003**	**362,942,761**	**390,442,143**	**351,409,527**	**375,217,640**	**377,704,372**
	Strategic outcome: Taxpayers and benefit recipients receive an independent and impartial review of their service-related complaints							
Taxpayers' Ombudsman	2,622,557	2,524,101	3,167,366	3,289,642	3,167,366	**2,614,097**	3,198,657	3,191,343
Sub-total	**2,622,557**	**2,524,101**	**3,167,366**	**3,289,642**	**3,167,366**	**2,614,097**	**3,198,657**	**3,191,343**
Internal Services	960,308,600	914,441,789	831,697,636	1,062,875,800	807,287,820	**940,711,586**	837,350,994	816,594,012
Sub-total	**960,308,600**	**914,441,789**	**831,697,636**	**1,062,875,800**	**807,287,820**	**940,711,586**	**837,350,994**	**816,594,012**
Total all programs	**4,318,468,143**	**4,062,859,356**	**3,861,256,109**	**4,332,396,452**	**3,876,796,322**	**4,060,833,990**	**3,804,844,388**	**3,762,668,958**
Less: Respendable Non-Tax Revenue under Section 60 of the *Canada Revenue Agency Act*	(166,976,789)	(164,015,731)	(179,308,529)	(166,085,289)	(179,308,529)	**(166,085,289)**	(169,466,255)	(170,452,033)
Plus: Cost of services received without charge	448,298,689	430,409,136	N/A	N/A	423,084,369	**457,024,404**	436,284,460	432,998,415
Net cost	**4,599,790,043**	**4,329,252,761**	**N/A**	**N/A**	**4,120,572,162**	**4,351,773,105**	**4,071,662,593**	**4,025,215,340**

1 **Planned spending excludes severance payments, parental benefits, vacation credits, the one-time transition payment for implementing the pay-in-arrears model, and the carry-forward of unused funds from 2013-2014 under the CRA's two-year spending authority. This funding is received during the fiscal year and is included only in actual spending.**

2 **Includes the disbursements to the provinces under the *Softwood Lumber Products Export Charge Act, 2006* ($80 million in 2014-2015; $283 million in 2013-2014; and $280 million in 2012-2013); actual spending includes the following softwood lumber statutory disbursements: -$15.1 million in 2014-2015; $42.3 million in 2013-2014; and $136.9 million in 2012-2013.**

3 **Includes payments to Agence du revenu du Québec for administering of the goods and services tax in the province (actual spending is $142.1 million in 2014-2015; $142.8 million in 2013-2014; and $142.2 million in 2012-2013).**

4 **Includes statutory children's special allowance payments (actual spending is $214.8 million in 2014-2015; $235.4 million in 2013-2014; and $238 million in 2012-2013).**

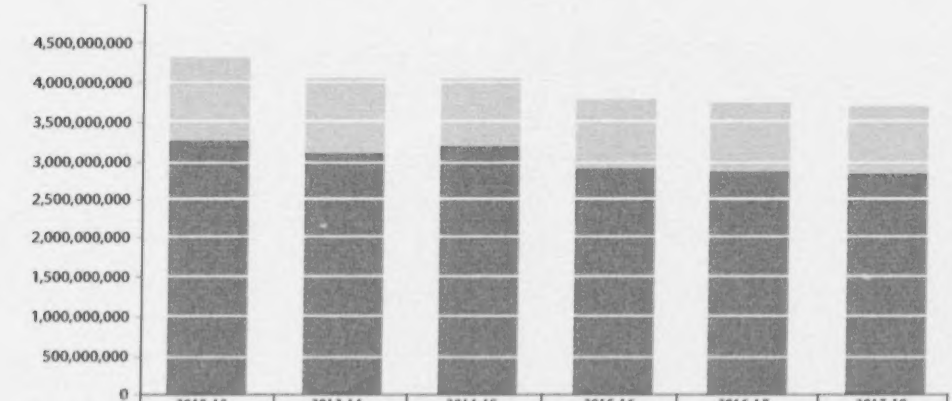
Alignment of spending with the whole–of–government framework[v]

Program	Strategic Outcome	Spending Area	Government of Canada Outcome	2014-15 Actual Spending (dollars)
Taxpayer and Business Assistance	Taxpayers meet their obligations and Canada's revenue base is protected	Government affairs	A transparent, accountable, and responsive federal government	292,809,925
Assessment of Returns and Payment Processing	Taxpayers meet their obligations and Canada's revenue base is protected	Government affairs	Well-managed and efficient government operations	640,377,518
Reporting Compliance	Taxpayers meet their obligations and Canada's revenue base is protected	Government affairs	Well-managed and efficient government operations	1,108,667,741
Collections and Returns Compliance	Taxpayers meet their obligations and Canada's revenue base is protected	Government affairs	Well-managed and efficient government operations	519,837,234
Appeals	Taxpayers meet their obligations and Canada's revenue base is protected	Government affairs	A transparent, accountable, and responsive federal government	204,406,362
Benefit Programs	Eligible families and individuals receive timely and accurate benefit payments	Economic affairs	Income security and employment for Canadians	351,409,527
Taxpayers' Ombudsman	Taxpayers and benefit recipients receive an independent and impartial review of their service-related complaints	Government affairs	A transparent, accountable, and responsive federal government	2,614,097

Total spending by spending area (dollars)

Spending Area	Total Planned Spending	Total Actual Spending
Economic affairs	390,442,143	351,409,527
Social affairs	0	0
International affairs	0	0
Government affairs	2,679,066,359	2,768,712,877

CRA spending trend (dollars)



	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Planned	2016-17 Planned	2017-18 Planned
Statutory	1,007,281,205	902,057,364	817,112,935	825,419,615	820,363,267	811,780,951
Voted	3,311,186,938	3,160,801,992	3,243,721,055	2,979,424,773	2,942,305,691	2,912,629,120
Total	**4,318,468,143**	**4,062,859,356**	**4,060,833,990**	**3,804,844,388**	**3,762,668,958**	**3,724,410,071**

The planned spending trend figure shows all parliamentary appropriations (Main Estimates and Supplementary Estimates) and revenue sources provided to the CRA for policy and operational initiatives arising from various federal budgets and economic statements, transfers from the Department of Public Works and Government Services Canada for accommodations and real property services, disbursements under the Softwood Lumber Agreement, responsibilities related to the harmonization of sales tax in Ontario and British Columbia, the children's special allowance payments, and initiatives to improve efficiency.

Total spending for fiscal years 2012-2013 to 2014-2015 also includes technical adjustments such as the CRA's carry-forward from the previous year and funding for maternity and severance benefits. The 2014-2015 fiscal year also includes funding for the one-time transition payment for implementing the pay-in-arrears model.

Over the period 2012-2013 to 2017-2018, the CRA's appropriations show a decline. Funding received for upgrading of the individual income tax processing system and various wage settlements were more than offset by decreases due to the following:

- initiatives to improve efficiency
- the fluctuation in the CRA's Statutory Authorities for disbursements to the provinces under the *Softwood Lumber Products Export Charge Act, 2006* and the rates of the contributions to employee benefit plans
- the planned decrease in funding for implementing the harmonized sales tax for Ontario and British Columbia and the Affordable Living Tax Credit for Nova Scotia and the administration of the Softwood Lumber Agreement
- other miscellaneous reductions such as the transfer to Public Works and Government Services Canada for accommodation and real property services, adjustment to funding previously transferred to Shared Services Canada, and the transfer of CRA training programs to the Canada School of Public Service

The following table details the additional authorities approved for the CRA after the Main Estimates were tabled in Parliament and reconciles with the total authorities shown on page 23.

Authorities Approved after Main Estimates	Dollars
2014-15 Main Estimates	**3,861,256,109**
Funding for implementing and administering various tax measures announced in the 2013 federal budget	15,540,213
Planned Spending (as reported in the *2014-15 Report on Plans and Priorities*)	**3,876,796,322**
Carry-forward from 2013-14	339,225,074
Funding for the one-time transition payment for implementing the pay-in-arrears model	88,103,742
Severance payments, parental benefits, and vacation credits	75,744,729
Enhancements to non-audit compliance programs	31,180,754
Transfer from Public Works and Government Services Canada due to a reduction in CRA's accommodation needs	13,932,776
Funding for implementing and administering various tax measures announced in the 2014 federal budget	6,465,063
Collective bargaining increases	2,462,773
Reduction in the statutory authority for the disbursement to the provinces under the *Softwood Lumber Export Charge Act, 2006*	(80,000,000)
Year-end adjustments to statutory authorities:	
• contribution to employee benefit plans	34,435,745
• court awards	3,398,465
• Crown assets disposals	173,717
• decrease in payments under the *Children's Special Allowance Act* for eligible children in the care of agencies and foster parents	(31,238,801)
• decrease in disbursements to provinces under the *Softwood Lumber Products Export Charge Act, 2006*	(15,118,882)
• decrease in the spending of revenues received through the conduct of its operations primarily attributable to reductions in services to the province of Ontario	(13,223,240)
• Other minor adjustments	58,215
Total authorities at year-end	**4,332,396,452**

Estimates by vote

For information on the CRA's organizational votes and statutory expenditures, see the Public Accounts of Canada 2015[vi] on the Public Works and Government Services Canada website.

Taxpayer Bill of Rights

1. You have the right to receive entitlements and to pay no more and no less than what is required by law.
2. You have the right to service in both official languages.
3. You have the right to privacy and confidentiality.
4. You have the right to a formal review and a subsequent appeal.
5. You have the right to be treated professionally, courteously, and fairly.
6. You have the right to complete, accurate, clear, and timely information.
7. You have the right, unless otherwise provided by law, not to pay income tax amounts in dispute before you have had an impartial review.
8. You have the right to have the law applied consistently.
9. You have the right to lodge a service complaint and to be provided with an explanation of our findings.
10. You have the right to have the costs of compliance taken into account when administering tax legislation.
11. You have the right to expect us to be accountable.
12. You have the right to relief from penalties and interest under tax legislation because of extraordinary circumstances.
13. You have the right to expect us to publish our service standards and report annually.
14. You have the right to expect us to warn you about questionable tax schemes in a timely manner.
15. You have the right to be represented by a person of your choice.
16. You have the right to lodge a service complaint and request a formal review without fear of reprisal.

Commitment to small business

1. The Canada Revenue Agency (CRA) is committed to administering the tax system while minimizing the costs of compliance for small businesses.
2. The CRA is committed to working with all governments to streamline service, minimize cost, and reduce the compliance burden.
3. The CRA is committed to providing service offerings which meet the needs of small businesses.
4. The CRA is committed to conducting outreach activities which help small businesses comply with the legislation we administer.
5. The CRA is committed to explaining how we conduct our business with small businesses.

Section 2
Analysis of Programs by Strategic Outcomes

In this document the Agency's core business is broken down into three strategic outcomes and seven programs, which in turn are broken down into sub programs. Each of the following chapters describes a separate program. Each chapter sets out key results for sub programs, and targets and results for performance indicators. The table below describes the highest level of mandated measurement for the Agency, which is strategic outcome.

Strategic outcome	Performance Indicator	Target	Actual Result
Taxpayers meet their obligations and Canada's revenue base is protected	Percentage of returns filed on time, by the specified due dates, without direct intervention on the part of the CRA	90%	93%[1]
	Percentage of known businesses registered for GST/HST	90%	95%
	Percentage of reported taxes (including instalments) and source deductions paid on time	90%	90%
Eligible families and individuals receive timely and accurate benefit payments	Percentage of Canada child tax benefit payments issued to benefit recipients on time (by the 20th of each month)	99%	99.99%
	Percentage of Canada child tax benefit recipients who provide complete and accurate information and receive the proper entitlement	95%	N/A[2]
	Percentage of potentially entitled benefit recipients who receive the Canada child tax benefit (reported after each Census)	95%	N/A[3]

1 **This result is comprised of individual (T1) returns.**

2 **The Benefits Measurement Study is ongoing, therefore results are not available for 2014-2015.**

3 **Census results not yet available for 2014-2015.**

Program
Taxpayer and Business Assistance

As the administrator of Canada's self-assessment tax system, the CRA has to provide taxpayers with accurate and timely information so they can comply with Canada's tax laws. To achieve this, we make sure our website contains general information regarding our programs. We also post videos and webinars and interact with Canadians on social media. When taxpayers need more help, we offer expertise and guidance through our telephone services and our rulings and interpretation services. We also administer and monitor charities and registered plans to make sure they are managed in accordance with existing legislation.

157M

Our website received over 157 million visits

Subprogram	Description
Taxpayer Services – Enquiries and Information Products	This program develops and maintains information services and products to help taxpayers voluntarily comply with Canada's tax laws. We provide taxpayers with access to timely and accurate responses to their telephone and written tax enquiries and provide tax information on our website, as well as other targeted information products and services.
Registered Plans	This program is responsible for all activities related to the provisions of the *Income Tax Act* for deferred income and savings plans. We provide information through our webpages, outreach activities, and by assisting taxpayers through our telephone enquiries line, and written communications. We register, audit, and approve contributions to these plans to safeguard compliance.
Charities – Public Safety and Anti-Terrorism	This program protects the integrity of the registration system for charities under Canada's *Income Tax Act* by screening applications and monitoring registered charities for the risk of terrorist involvement.
Policy, Rulings, and Interpretations	This program is responsible for the official CRA positions on interpreting the laws which the CRA administers. We clarify tax issues for taxpayers, registrants, and tax intermediaries by explaining how legislation applies to their specific situations, and we inform them on tax and CPP/EI matters by issuing rulings, interpretations, and technical publications. We provide early certainty to taxpayers through binding rulings and non-binding interpretations.
Charities	This program administers the national registration program for charities, registered Canadian amateur athletic associations, and registered national arts service organizations. We are responsible for all types of compliance activities, including registration, communications and outreach, processing and examination, audit and enforcement, policy, and technical guidance.

Taxpayer Services – Enquiries and Information Products

An essential part of the CRA's commitment to service excellence is providing clear, timely, and accurate information to make it easier for taxpayers to comply with their tax obligations and receive their benefits. We continuously update and improve our information services so taxpayers can get the information they need, when and how they need it.

The Agency's commitment to continuously improving information services matches the Government of Canada's information and service priorities, including those being spearheaded by Shared Services Canada to transform the federal government's information technology infrastructure. These priorities are to provide modern, reliable, and secure services with reduced operating costs; to improve service to Canadians; and to increase security of information. The CRA is working closely with Shared Services to institute this transformation and, as part of the process, is improving services for taxpayers delivered on the web, by telephone, and through social media.

Web renewal

The Web Renewal Initiative is a government-wide project to develop Canada.ca[iii], a single, user-centric website for the Government of Canada. The Privy Council Office and the Treasury Board of Canada Secretariat lead the project. All federal institutions are participating in the migration and, by December 31, 2016, approximately 1,500 individual websites will have moved to Canada.ca[iii]. The CRA is participating in working groups and is playing a lead role, including helping to develop the governance and publishing models, user-experience testing, information architecture, and technical requirements for Canada.ca[iii].

Since creating the "Taxes" landing page in December 2013, the Agency has:

- created eight new topic landing pages (June 2014)
- completed the upgrade of its website to the Treasury Board Secretariat Web Experience Toolkit (WET) 4.0 standard, in preparation for its migration to Canada.ca[iii] (July 2014)
- added the institutional profile and the first service initiation page (December 2014)
- completed Phase 1 of a review of the CRA's most-visited Web content to improve its quality and to identify what should be deleted or archived (January 2015)
- adopted the latest WET standard (4.0.9) on the CRA website (February 2015)
- updated the template and adjusted the institutional profile (March 2015)
- created and updated topics pages to lay the groundwork for future releases (June 2015).

Contact centre transformation

In 2014-2015, the CRA experienced a significant increase in call volumes thereby affecting caller accessibility targets. Various events contributed to the increase in calls, including the extension of the filing season, federal tax benefit changes, new hours of service, changes to the Ontario Trillium benefit, and the new online mail service.

The contact centre transformation initiative now underway in cooperation with Shared Services Canada will improve our capacity to respond to high volumes of telephone enquiries. The CRA was identified as a priority partner for this initiative because of the scale and importance of our contact centre activities and the size and complexity of our telephony infrastructure. The Agency fully supports modernizing call centres across all government departments and agencies to expand beyond voice-based services. We have already taken several steps in this direction, partly in response to consultations with taxpayers on reducing red tape.

These steps include streamlining our business interactive voice response system to make it easier for callers to connect with an agent; encouraging people to use Smartlinks to contact a CRA agent via our website for more information or help with navigating through the website; requiring telephone service agents to give callers their agent ID to increase accountability; and, in some cases, allowing telephone service agents to transfer a credit within a business's account upon request.

Over the long term, the contact centre transformation will enhance telephone services for taxpayers by giving the CRA access to new and improved functions. In April 2014, the CRA established a project team to oversee and coordinate the migration of the existing 79 CRA contact centres, a large undertaking involving every region and most branches.

Social media

The CRA's Twitter following has grown year by year, reaching over 57,000 in 2014-2015. We use Twitter as another way to share the content on our website regarding the programs and services we provide. It also allows us to interact with stakeholders. For example, we used social media tools to engage with small businesses during our red tape reduction consultations in fall 2014. In addition, the CRA developed a number of Web-based videos, including a three-part series to assist and educate taxpayers who might be undergoing an audit.

Other services

The CRA continues to build partnerships with community organizations to deliver its Community Volunteer Income Tax Program (CVITP), and worked with more than 2,000 organizations in 2014-2015. New initiatives included releasing two Web videos, *CVITP: Need a Hand* and *CVITP: Lend a Hand*; developing CVITP posters in nine languages other than English and French; launching a Web portal to enable organizations and volunteers to register online; and giving better training and support for first-time community organizations who want to host a clinic.

Key results

- We received over 157 million visits to our website.
- Over 20 million forms and publications were downloaded.
- We issued 996 tweets in 2014-2015 which were retweeted 5,027 times.
- We posted 47 new videos between April 2014 and March 2015. The 94 videos on our channels were viewed 1,908,727 times.
- We answered 17.1 million enquiries and 6.4 million benefits calls through agents and automated services.

Registered Plans

Registered plans are an important financial tool for many Canadians who are looking to secure income for the future, particularly for their retirement years. The CRA is responsible for registering and monitoring plans and for approving the deductibility of employer contributions to defined benefit pension plans. The most recent data from Statistics Canada indicates the Registered Plans program oversees more than $2.83 trillion in private pension plan assets. It also oversees $65.9 billion in tax-free savings accounts, $35.9 billion in registered education savings plans, and almost $1 billion in registered disability savings plan grants, bonds, and contributions.

In 2014-2015, the Agency better supported plan administrators and their financial intermediaries by working with partner stakeholders to harmonize filing dates for pooled registered pension plans (PRPPs) annual information returns to reduce the burden on plan administrators. Updates to CRA's IT systems were made to improve the ability to capture and use data associated with registered plans, and enable the Agency to better assess compliance risk. The IT upgrades include auto-populating certain data fields for more efficient compliance analysis and capturing the data from annual information returns for PRPPs.

Key results

- We reviewed 81% of the applications to register pension plans within 180 days.
- We approved 81% of requests for eligible contributions within 270 days.
- We conducted 861 audits of registered plans.

Policy, Rulings, and Interpretations

The CRA plays an essential role in making sure Canadian taxpayers, businesses, and third parties have access to up-to-date, accurate, technical information and support. This is critically important when dealing with changes to laws affecting reporting requirements.

One of the most far-reaching and complex changes in 2014-2015 was the implementation of an agreement between the governments of Canada and the United States to improve international tax compliance through better reporting of financial account information (FATCA). Beginning in 2015, Canadian financial institutions have to give the CRA information of account holders who are United States citizens or residents. To assist financial institutions and respect privacy laws, the CRA became the intermediary, receiving the information and relaying it to the Internal Revenue Service (IRS) rather than having Canadian financial institutions report directly to the IRS.

During 2014-2015, the CRA completed a number of significant steps in implementing this agreement. Key steps included making sure financial institutions had all of the information they need to meet their reporting obligations, putting in place the information return financial institutions will use, and setting up the IT systems needed to allow the electronic exchange of information with the IRS.

Because it is important to give taxpayers information so they understand their tax obligations, the CRA provides technical publications and issues rulings. Taxpayers, tax professionals, industry associations, and staff who need access to technical tax information all widely use the technical

publications. They can help clarify tax matters, prevent errors and, in some cases, eliminate the need for new rulings or interpretations.

Several of the legislative amendments made in 2014-2015, such as the non-refundable family tax cut credit, prompted updates to the Agency's technical publications.

Key results

- We provided 3,007 GST/HST rulings and interpretations.
- We provided 2,696 income tax technical interpretations.
- We provided 155 advance income tax rulings.
- We completed 44,028 CPP/EI rulings, issuing 92% within target timeframes.
- We responded to 90,108 GST/HST technical telephone enquiries.

Charities

The federal government's 2014 budget earmarked $23 million for the CRA to modernize its IT systems over the next five years, allowing it to provide new digital services to charities. In 2014-2015, the Agency undertook a planning exercise which included identifying high-level business requirements, conducting a feasibility study, developing a project plan, developing an implementation strategy, and staffing. The three main deliverables for this project are:

- creating a system for capturing the data from the registered charity annual return and displaying it on the website. It must also capture data from the application form and display the public portion once an organization is registered.
- improving reporting capabilities so we can better use the data in support of compliance activities, strategic planning, and policy development. This will also help external stakeholders such as academics and media who rely on information reported on charity information returns.
- implementing electronic data capture by allowing registered charities to file their annual return and associated financial statements electronically. Organizations will also be able to apply for charitable registration electronically.

Modernizing the CRA's IT systems for charities will benefit both the charitable sector and the public. It will reduce the administrative burden on charities by giving them more ways to file, which should then make it easier for them to meet their obligations. It will also give the public more complete and accurate information on charities, allowing donors to make better-informed decisions on which charities to support.

Key results

- We processed 84,508 registered charity information returns.
- We audited 781 charities.

Budgetary financial information (dollars)
Human resources (full-time equivalent)

Program/ Subprogram		2014-15 Main Estimates	2014-15 Total Authorities	2014-15 Planned[1]	2014-15 Actual[2]	2014-15 Difference (Planned minus Actual)
Taxpayer and Business Assistance	$	350,017,682	307,044,650	350,905,225	**292,809,925**	58,095,300
	FTE			3,676	**3,948**	(272)
Taxpayer Services – Enquiries and Information Products	$			152,960,455	**174,319,335**	(21,358,880)
	FTE			2,111	**2,478**	(367)
Registered Plans	$			16,250,754	**17,411,607**	(1,160,853)
	FTE			178	**157**	21
Charities	$			29,154,434	**27,940,712**	1,213,722
	FTE			333	**265**	68
Policy, Rulings, and Interpretations	$			148,030,914	**68,436,701**	79,594,213[3]
	FTE			1,013	**1,007**	6
Charities – Public Safety and Anti-Terrorism	$			4,508,668	**4,701,570**	(192,902)
	FTE			41	**41**	

1 **Planned spending excludes severance payments, parental benefits, vacation credits, the one-time transition payment for implementing the pay-in-arrears model, and the carry-forward of unused funds from 2013-2014 under the CRA's two-year spending authority. This funding is received during the fiscal year and is included only in actual spending.**

2 **Modified cash basis, based on Parliamentary appropriations used. See pages 104-105 for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.**

3 **Decrease primarily due to lower than planned statutory payments related to the Canada/US softwood lumber agreement.**

Performance measurement

Program/ Subprogram	Expected Result	Performance Indicator	Target	Actual Result
Taxpayer and Business Assistance	Taxpayers and businesses have access to the information and services they require to voluntarily comply with tax laws	Percentage of service standard targets the CRA met or mostly met relating to individual and business enquiries[1]	100%	85.7%[2]
	Compliance with applicable legislation by organizations and businesses administering or producing registered plans, charities, and excise dutiable-products is improved	Percentage of charities, registered plans, and commodity audits completed compared to planned	100%	97.5%
Taxpayer Services – Enquiries and Information Products	Individual taxpayers have access to timely and accurate responses to their tax enquiries	Caller accessibility – percentage of individual callers who succeed in reaching the CRA telephone service (tax filing season)	85%	79%[3]
		Caller accessibility –percentage of individual callers who succeed in reaching the CRA telephone service (non-tax filing season)	80%	79%
		Percentage of accurately updated internal reference materials for taxpayer services agents (individual)	100%	100%
	Businesses have access to timely and accurate responses to their tax enquiries	Caller accessibility – percentage of business callers who succeed in reaching the CRA telephone service	85%	84%
		Percentage of accurately updated internal reference materials for taxpayer services agents (business)	100%	100%
Registered Plans	Registered plan administrators and their agents receive timely service in response to applications	Percentage of registered plan applications reviewed within the established timeframes (180 days)	85%	81%
	Non-compliance by registered plan administrators and their agents with legislation and regulations pertaining to registered plans is detected and addressed	Percentage of registered plan audits completed compared to planned	100%	106%
Policy, Rulings, and Interpretations	Taxpayers and businesses receive timely rulings and interpretations under the *Income Tax Act*, *Excise Tax Act*, and various other federal legislation	Percentage of service standards targets the CRA met or mostly met relating to the timeliness of service delivery for income tax and GST/HST rulings and interpretations[1]	100%	100%
	Non-compliance with the *Excise Act* and the *Excise Act, 2001* with respect to dutiable products is detected and addressed	Percentage of planned excise regulatory reviews and excise compliance activities the CRA completed	100%	102%

Program/ Subprogram	Expected Result	Performance Indicator	Target	Actual Result
Charities	Service to registered charities and applicants for charitable status is enhanced	Charities – responding to telephone enquiries in agent queue within two minutes	80%	76.2%[4]
		Percentage of charitable registration applications the CRA reviewed and responded to within established timeframes (2 months for simple and 6 months for regular applications)	80%	93%
	Compliance in the charitable sector is improved	Percentage of charities the CRA audited because they are known to be participating in gifting tax shelters	100%	100%
		Percentage of charities to file an annual information return on time	80%	87%

1 **Details on our service standards are on page 164.**

2 **Volume of written enquiries increased, and training requirements diverted resources from answering enquiries.**

3 **The target was not met in 2014-2015 due primarily to the extension of the filing season, the new hours of service, and various initiatives which significantly increased calls and average call length.**

4 **An increase in the volume of calls and the need to train additional resources led to lower results.**

Program
Assessment of Returns and Payment Processing

The CRA undertakes a wide range of activities to assess and process tax returns, information returns, and payments for individuals and businesses. We make it easier for individuals and businesses to meet their filing, reporting, and payment obligations. We assess, process, and adjust tax returns for individuals and businesses. We review information to find errors. We detect non-compliance through risk assessment and third-party data matching. Through these activities, we support the process of assessing tax returns from beginning to end.

28M

We processed more than 28 million income tax returns for individuals

Subprogram	Description
Individual Returns and Payment Processing	This program makes sure individuals have the services they need to voluntarily comply with Canada's tax laws. We process the information individuals file and the payments they make. We also assess and validate the information and inform individuals of the results of their assessment or reassessment.
Business Returns and Payment Processing	This program makes sure businesses have the services they need to voluntarily comply with Canada's tax laws. We process the information businesses file and the payments they make. We also assess and validate the information and inform businesses of the results of their assessment or reassessment. We also register businesses in Canada for a business number, maintain account status, and administer the excise programs.

Individual Returns and Payment Processing

All of our digital and traditional services are designed to make it easier for taxpayers to meet their tax obligations. Our vision is to provide taxpayers with user-centric, secure digital services to help meet every requirement.

Most individual taxpayers and benefit recipients rely on our secure digital channels as their preferred service option. Electronic filing for individual T1 filers reached 82% in the 2015 filing season, up from 80% in 2014, and we saw a corresponding decrease in paper filing. The increase in electronic filing is in part due to enhancements and new electronic service functions such as the ability to file prior-year returns for EFILE and NETFILE.

82% of individual returns were filed online during the 2015 tax season

Users can access our digital services through My Account, a secure portal for viewing personal income tax and benefit information and managing tax affairs. The My Account registration process was streamlined in February 2015 to allow limited access to low-risk information such as the condensed notice of assessment or reassessment, status of tax return, current-year RRSP and TFSA limits, and online mail. Users must enter a security code to access the full suite of My Account services and to view the detailed notice of assessment or re-assessment.

To further enhance digital services, we introduced an online mail service allowing individuals to receive some correspondence such as notices of assessment and reassessment directly in My Account. Once individuals register for this service, eligible correspondence is no longer printed and mailed to them. Instead, a notification is sent to their email address when new mail is available for them to view in My Account. For security reasons, we do not send any secure information by email.

We added a variety of new digital features this past year:

- **We expanded EFILE to accept electronically filed T1 returns for the 2012 and 2013 years. This made it easier for a tax preparer to file an original tax return for a previous year.**
- **We launched the Tax Data Delivery service in February 2015 which allows authorized representatives, using EFILE certified software, to request the secure electronic transmission of tax information from the CRA to automatically complete portions of an individual's tax return. As of July 31, 2015, the service delivered tax information for over 911,000 taxpayer accounts during the 2015 filing season.**

- We launched pre-authorized debit, an online, self-service, payment option through which taxpayers can authorize the CRA to withdraw a predetermined amount from their bank account on a specific date or dates. Individuals and businesses can now set up and manage pre-authorized debits within the CRA's secure My Account or My Business Account services. Also, all T1 and NETFILE software now has a "Pay Now" button.

Key results

- 82% of individual returns were filed electronically for the 2015 filing season.
- 74% of payments were received electronically (including payments remitted at financial institutions) for 2014-2015.
- We processed 28 million income tax returns for individuals.
- 18 million logins were made to My Account by individuals and representatives.
- 54.5% of T1 refunds were made by direct deposit, a 3.6% increase over 2013-2014.
- 732,797 individuals newly enrolled in My Account.
- Representatives accessed over 9 million individual accounts through Represent a Client.
- We assessed over $1.7 billion in additional taxes owing by verifying claims for errors, reviewing high-risk claims, and matching the information in filed returns to third-party data.
- 305,667 individual returns were reviewed and taxpayers received beneficial adjustments to their tax returns in excess of $98 million.

My Account is

Convenient – *It is available 7 days a week.*

Easy to use – *After registering, simply log in with your CRA user ID and password or use your login information from one of our Sign-in Partners.*

Fast – *Information is up-to-the-minute and transactions are processed immediately.*

Secure – *The CRA user ID and password are just part of the security.*

www.cra.gc.ca/myaccount[vii]

IN FOCUS

Going mobile

Mobile apps provide taxpayers access to key services through their mobile devices. As Canadians spend more time on smartphones and tablets and less time on personal computers, the CRA will make sure its Internet services and content are optimized and accessible for mobile apps. Mobile apps add to the multiple channels we provide for taxpayers to access the services they need to voluntarily comply with Canada's tax laws.

In February 2015 we launched MyCRA, a Web-based mobile app to enable taxpayers to securely access key parts of their tax information wherever they are, through any mobile device. MyCRA lets users view:

- notices of assessment
- return status
- RRSP deduction and TFSA contribution room
- benefit and credit payment dates
- a directory of EFILE tax professionals and a list of free tax filing software
- the date and location of Community Volunteer Income Tax clinics
- the CRA's Charities Listings, making it easier to choose and donate to a charity
- My Payment connected to MyCRA app

The Business Tax Reminders mobile app is one way we are reducing red tape for businesses. Users can create their own custom reminders and alerts for key CRA due dates for instalment payments, returns, and remittances. This mobile app is recommended for small and medium-sized businesses with annual revenue of $20 million or less and fewer than 500 employees. The app was created after consulting with small and medium-sized businesses and allows users to:

- create custom reminders for key CRA due dates related to instalment payments, returns, and remittances
- customize and tailor the reminder system for their personal business deadlines with either calendar or pop-up messages

Business Returns and Payment Processing

The CRA's digital services are the preferred service channel for more businesses and tax representatives. The majority of corporation income tax returns and GST/HST returns are filed online and 2.3 million business numbers are registered for My Business Account, our online business portal. Each year we improve our digital services based on user feedback, research on task identification and success rates, and time to complete key tasks. We also add new features and services to reduce red tape and make it easier to get timely information and comply with tax obligations.

Improvements made during 2014-2015 include the following:

- We added new services for GST/HST registrants using My Business Account. They can file GST/HST elections forms GST 20-1 and RC7220-1 electronically. They can choose to stop receiving a paper copy of the combined GST/HST and QST return and they can file amended returns.
- We added options to My Business Account to allow businesses with payroll accounts to request transfers and search payments online.
- Authorized representatives can now sign up through Represent a Client to receive their business clients' notices, letters, and statements electronically.
- Businesses can update their direct deposit information online, access the first free online option for tax payment, and get a detailed payment history for all accounts.
- Corporations can file amended T2 corporation tax returns using commercial tax preparation software.
- Partnerships can file their information returns electronically.
- GST/HST registrants can send supporting GST/HST documentation electronically through the Submit Documents service when we ask them to validate information on tax returns.
- Using the Represent a Client service, representatives can submit an authorization electronically and provide the signed consent form through the CRA's Submit Documents service.

86% of corporation returns were filed online

The majority of businesses and their tax representatives access our digital services through My Business Account, *our secure online business portal to accounts including GST/HST (except for GST/HST accounts administered by Revenu Québec), payroll, corporation income taxes, excise taxes, excise duties, and more.*

Key results

- 86% of corporation income tax returns were filed online.
- Over 5 million logins were made to My Business Account by owners and representatives.
- Another 109,829 new business owners enrolled in My Business Account since last year. More than 2 million businesses are now registered.
- Representatives accessed close to 5 million business accounts through Represent a Client.
- We responded to 6,392 business enquiries online.
- 79.1% of GST/HST returns were filed online.
- We identified more than $101 million in additional taxes owing on corporation income tax returns.

IN FOCUS

Cutting red tape for small and medium businesses

The CRA is committed to reducing red tape and making it easier for individuals and small and medium businesses to access CRA services and fulfil their tax obligations. We held Canada-wide red tape reduction consultations in the fall of 2014:

- we consulted with small and medium business owners and personnel, bookkeepers, accountants, and stakeholder associations
- approximately 350 people participated in 45 in-person consultations covering all provinces and territories
- approximately 120 people sent their views online or in writing

The feedback we received helped define our new priorities and will shape our red tape reduction action plans for the next three years.

Top recommendations from the business community and highlights of CRA plans

1. Make it easier to find information and services on the Web
   > the CRA will improve website search functions, develop fillable forms, and make navigation easier
2. Provide information in language we can understand
   > the CRA will reduce complexity and improve the clarity of language in forms, guides, and correspondence
3. Improve the audit process
   > the CRA will enhance auditor training and expand programs focused on helping and teaching small and medium businesses to become more compliant
4. Help businesses get it right from the start
   > the CRA will help small businesses as part of a good-start initiative, including outreach programs, webinars, and business checklists
5. Add more digital services and tools
   > the CRA will look into allowing email communication between the Agency and its clients
6. Improve telephone services
   > the CRA will streamline procedures and develop new tools for telephone service agents to better serve the business community by reducing the need for callers to repeat information and connecting callers to the right expert
7. Offer more flexibility for filing deadlines and payment schedules
   > the CRA will adjust the frequency of remittances

Budgetary financial information (dollars)
Human resources (full-time equivalent)

Program/ Subprogram		2014-15 Main Estimates	2014-15 Total Authorities	2014-15 Planned[1]	2014-15 Actual[2]	2014-15 Difference (Planned minus Actual)
Assessment of Returns and Payment Processing	$	597,018,261	689,410,927	627,544,966	**640,377,518**	(12,832,552)
	FTE			6,671	**6,209**	462
Individual Returns and Payment Processing	$			315,235,616	**335,690,942**	(20,455,326)
	FTE			4,329	**4,228**	101
Business Returns and Payment Processing	$			312,309,350	**304,686,576**	7,622,774
	FTE			2,342	**1,981**	361

1 **Planned spending excludes severance payments, parental benefits, vacation credits, the one-time transition payment for implementing the pay-in-arrears model, and the carry-forward of unused funds from 2013-2014 under the CRA's two-year spending authority. This funding is received during the fiscal year and is included only in actual spending.**

2 **Modified cash basis, based on Parliamentary appropriations used. See pages 104-105 for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.**

Performance measurement

Program/ Subprogram	Expected Result	Performance Indicator	Target	Actual Result
Assessment of Returns and Payment Processing	Individuals, businesses, and registrants are provided timely and accurate tax assessment notices and tax payment processing	Number of service standards targets met or mostly met relating to timeliness of processing for individual, business and GST/HST returns[1]	100%	100%
Individual Returns and Payment Processing	Individual taxfilers receive timely and accurate assessment notices	Number of service standards targets met or mostly met relating to T1 Individual and T3 trust returns activities[1]	100%	100%
		Percentage of individual (T1) returns processed accurately	98%	98.9%
		Percentage of Individual (T1) returns received on time processed by mid-June	98%	99.7%
	Individuals file electronically	Individual (T1) electronic filing rates	82%	82%
	Validation activities detect and address non-compliance by individuals with the reporting requirements of the Acts	Percentage of planned validation reviews of individual returns (T1) completed	100%	101%
		Ratio of average dollar value assessed for targeted vs random reviews	Minimum ratio of 2:1	2.54:1
Business Returns and Payment Processing	Business taxfilers receive timely and accurate assessment notices and payment processing	Number of service standards targets met or mostly met relating to business taxfilers (T2, GST/HST, excise and other levies) activities[1]	100%	100%
		Percentage of T2 returns processed accurately	98%	98.3%
	Remittance of payments to the Receiver General are processed on time	Percentage of payments to the Receiver General are deposited within 24 hours of receipt	96%	98%

[1] **Details on our service standards are on page 167.**

Program
Reporting Compliance

The CRA's compliance activities seek to protect the integrity of Canada's self-assessment system by identifying and addressing those who do not accurately report income. Our compliance interventions follow an escalating approach, from influencing compliance and to enforcing it. We seek to influence compliance attitudes by increasing taxpayers' understanding of their tax obligations through targeted outreach activities, client service, and education. We also conduct examinations, audits, and investigations at the domestic and international levels to ensure compliance with Canada's tax laws.

$21.9B

We identified over $21.9 billion of non-compliance

Subprogram	Description
International and Large Business	This program helps to make sure Canada receives its share of taxes from international and large entities with complex financial transactions. We encourage, assist, and verify compliance by large-entity tax filers with Canada's tax laws. This is done through taxpayer consultations, education, legislative reviews, and enforcement measures.
Small and Medium Enterprises	This program enforces compliance of Canada's tax legislation by the small and medium businesses and non-resident taxpayers. We support compliance through taxpayer consultations, education, and partnerships with stakeholders. We use risk management principles to apply a balanced approach to audit enforcement activities including associated client assistance, service and quality audits.
Scientific Research and Experimental Development	This program (which includes film tax credit) provides tax relief and investment tax credits to Canadian businesses as an incentive to conduct qualifying industrial research and development and film or video production in Canada. We make sure all claims are in line with the legislative requirements, tax laws, policies, and procedures. We also make sure applicants have the information and timely services they need to access investment tax credits, and make sure credits or cash refunds are delivered promptly, consistently and predictably.
Criminal Investigations Program	This program enforces the acts the CRA administers by detecting and addressing tax evasion and fraud. We investigate suspected significant cases of fraudulent non-compliance and recommend cases for prosecution. To enhance public awareness and encourage voluntary compliance, we also publicize the results of court convictions.
Voluntary Disclosures Program	This program facilitates compliance with Canada's tax legislation by fostering and processing voluntary disclosures by non-compliant taxpayers and their representatives who wish to come forward and correct inaccurate or incomplete tax information.

International and Large Business

The CRA's efforts to verify and enforce international and large business compliance are based on risk analysis, targeted audit measures, legislative amendments, quality assurance, program monitoring, and training and recruitment of auditors and other specialists. We also engage with businesses and their tax representatives in efforts to reduce red tape and support compliance. The Agency dedicates resources to reviewing and auditing the complex tax affairs of Canada's largest entities.

Last year, we began implementing our integrated large business audit teams. These teams include specialty auditors who have knowledge in either domestic, international, or aggressive tax planning issues. The benefits of the integrated teams include enhanced collaboration across the team, less burden to taxpayers, and better service under the concept of One Team – One Voice – One Audit.

We refine our risk-assessment models on an ongoing basis by using advanced data analysis. In 2014-2015, we launched an automated tool, the Integrated Risk Assessment System to complement our National Risk Assessment Model. The new system links information from various CRA databases and checks it against sophisticated risk algorithms, and this process results in an automatic risk assessment for each large file.

We maintained our focus on closing lower-risk legacy files and transitioning to our policy of auditing the most recent tax years. However, older cases involving high-risk issues will remain under audit until non-compliance has been adequately addressed.

The international and large business program generated a fiscal impact of over $7.8 billion in 2014-2015.

We continue to collaborate with other countries through various groups in the Organisation for Economic Co-operation and Development (OECD) to stop cross-border tax avoidance and to make sure our tax systems are fair and transparent. We participate in the OECD's Committee on Fiscal Affairs, where discussions on Base Erosion and Profit Shifting action items take place. We also supported the Forum on Tax Administrations which developed a Strategy for Bi-lateral and Multi-lateral Collaboration and Cooperation and introduced the Joint International Tax Shelter Information and Collaboration Network. This network will contribute to greater international collaboration in stopping cross-border tax avoidance and ensuring fairness.

Aggressive tax planning

Aggressive tax planning arrangements designed primarily to avoid paying taxes often circumvent the law. Participating in tax shelters and in other domestic and international aggressive tax planning schemes could result in individuals and companies paying significant taxes, interest, and, in some cases, penalties. Combatting aggressive tax planning is a priority for the CRA. The 2015 federal budget allocated an additional $58 million over five years to the CRA to combat aggressive tax avoidance by large business entities. The measures introduced in the budget complement previous legislative changes the government introduced to close tax loopholes. According to our estimate, closing them could result in a fiscal impact of $1.2 billion over four years.

The CRA uses and updates a variety of strategies to identify and address these unacceptable arrangements. During the reporting period:

- we completed our initial assessment of a new national risk-assessment model and established a process for evaluating and refining it.
- we developed a new training framework for auditors working on aggressive tax planning cases.
- we developed a preliminary list of performance measures related to aggressive tax planning.
- through the CRA Commissioner's role as Vice-Chair of the OECD Forum on Tax Administration (FTA), we helped to develop systematic cooperation on international tax risks among FTA member administrations. This includes the introduction of the Joint International Tax Shelter Information and Collaboration Centre to enable members to better counter cross-border tax avoidance and evasion.

Offshore non-compliance

The 2013 federal budget introduced measures to bolster the CRA's capacity to combat international tax evasion and aggressive tax avoidance. International tax non-compliance places an unfair burden on law-abiding Canadians and jeopardizes the integrity of Canada's tax base.

The Offshore Compliance Division was established in 2013 to focus our approach in implementing and administering certain measures from the budget which target offshore non-compliance. The division continued to work on its key initiatives, including the Offshore Tax Informant Program and the mandatory reporting of electronic funds transfers. The division's audit function, supported by leads and business intelligence from the Offshore Tax Informant Program and the mandatory reporting of electronic funds transfers, has established specialized teams in the

regions responsible for conducting offshore compliance audits. As a result, the Agency is able to use all available business intelligence to identify high-risk cases, improve risk-assessment models, identify emerging offshore schemes and arrangements, and collaborate with stakeholders to maximize the success of offshore compliance activities.

Offshore Tax Informant Program

Announced in January 2014, the Offshore Tax Informant Program allows the CRA to give financial awards to individuals who provide sufficient, specific and credible details related to major international tax non-compliance which lead to the assessment and collection of more than $100,000 of additional federal tax (excluding penalties and interest). The award is 5% to 15% of the federal tax collected. The Offshore Compliance Division administers all aspects of the program including contacting informants, completing screening and risk assessments, referring cases for compliance action, and paying awards.

The Offshore Tax Informant Program generated 110 active cases in its first year

Because it is a new program, activities during the reporting period focused on public awareness of the program, including its parameters and requirements, and on developing policies, procedures, and strategies, including file referrals and transfers. We also finalized processes for establishing the eligibility of informants. As of March 31, 2015, the program had received 1,920 calls. The Agency identified 522 as coming from potential informants. Of those, 201 followed up with written submissions and 110 cases are actively under review.

Mandatory reporting of electronic funds transfers

Beginning in January 2015, certain financial intermediaries have to report to the CRA international electronic funds transfers (EFTs) of $10,000 or more. This rule applies to the same financial intermediaries currently reporting international EFTs to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC): banks, credit unions, caisses populaires, trust and loan companies, money services businesses, and casinos.

To ease the burden for these financial intermediaries, the CRA and FINTRAC worked together to support a shared process for submitting EFT reports, using existing tools and processes. As of March 31, 2015, we had received approximately three million international EFTs.

Key results

- We reviewed 12,981 international and large business files.
- We reviewed 9,440 aggressive tax planning files.
- Our aggressive tax planning efforts resulted in identifying $1.4 billion in fiscal impact[1].
- Our international and large business audit activities identified over $7.8 billion[2] in fiscal impact.
- We conducted five GST/HST and income tax third-party penalty audits, which resulted in $36.7 million in penalties being imposed on third parties (such as promoters and tax preparers).
- We received information on approximately 3 million international electronic funds transfers in the first three months of 2015.
- Our Offshore Tax Informant Program generated almost 2,000 calls in the past year.

Small and Medium Enterprises

Reducing the social acceptability of participating in the underground economy

The CRA dedicates resources to combating the underground economy, particularly in sectors of the economy where cash transactions are common. The CRA also dedicates resources to identifying and pursuing individuals and corporations when they fail to file their income tax returns and GST/HST returns. The CRA uses a variety of tools to detect those who do not report all of their income, including leads from taxpayers, information-sharing agreements, spot visits by auditors, information from third-party reporting systems, specialized computer software, leads from other audit files, and lifestyle audits.

The CRA works with the provinces, territories, and other federal government departments and agencies to better identify participants in the underground economy. The CRA uses a mix of outreach, education, communication, and compliance actions to combat the underground economy.

Understanding the underground economy

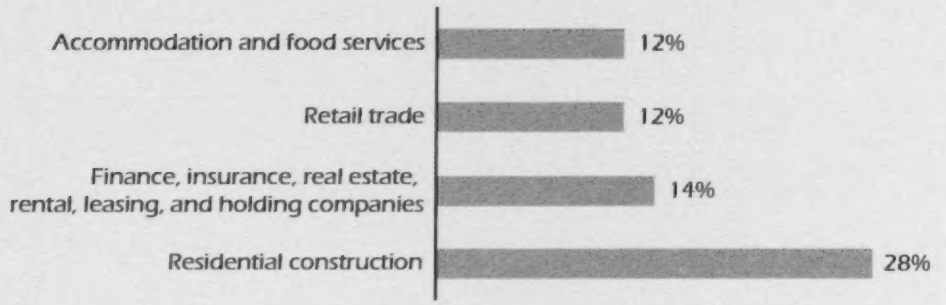
In April 2015, Statistics Canada released new underground economy estimates for Canada from 1992 to 2012. The CRA commissioned the estimates as part of ongoing efforts to increase its knowledge of the underground economy. The estimates provide more recent and improved

1. Fiscal impact consists of tax assessed, tax refunds reduced, interest and penalties, and present value of future federal tax assessable arising from compliance actions. It excludes the impact of appeals reversals and uncollectable amounts.
2. Following an extensive review of audit result coding policies and practices, CRA introduced changes to its methodology, aimed at modernizing how audit results are measured. These changes made sure we reported on the full spectrum of our audit efforts and resulted in additional fiscal impact of $88M for International and Large Business programs.

information on trends in underground economy activities for different industry sectors at the national and provincial or territorial levels. This information, combined with information from various other sources, helps the CRA to understand the size and nature of the underground economy and will refine our focus and activities to combat it.

The revised and updated estimates show the total underground activity in 2012 was equivalent to 2.3% of the gross domestic product. According to the research, while underground economy activity can be found in any industry, it is particularly prevalent in sectors where cash transactions are most common.

Four sectors accounted for 66% of the total estimated underground economy in 2012



Source: The Underground Economy in Canada, 2012. Report by Statistics Canada, 2015

To deepen our understanding of the underground economy, the former Minister of National Revenue released the new Agency-wide strategy for combatting it: Reducing Participation in the Underground Economy. The three themes in the strategy are:

- refining our understanding of the underground economy
- reducing social acceptability of participating in the underground economy
- implementing initiatives to promote compliance and reduce participation in the underground economy

Underground Economy Advisory Committee

The former Minister of National Revenue created the Underground Economy Advisory Committee to provide the CRA with direct access to industry perspectives and input to help create the Agency's and the Government of Canada's strategy for tackling the underground economy. The committee is composed of representatives from key industry stakeholder organizations representing a broad cross-section of academia, the Canadian business community, and tax professions.

The CRA also participated in underground economy roundtables with the provinces of New Brunswick, British Columbia, and Ontario. These roundtables brought provincial, industry, and academic stakeholders together to provide the CRA with expert advice and feedback on the status of the underground economy and our efforts to combat it.

Reducing the social acceptability of participating in the underground economy

The CRA's Get it in Writing[iv] campaign, in partnership with the Canadian Home Builders' Association, focuses on the demand side of the underground economy to raise awareness of the risks the public may face if they participate in it. The campaign assists homeowners who are planning a renovation and emphasizes how having a written contract gives them control over their renovation and protects them while helping to make sure they get the renovation results they want.

The CRA launched underground economy compliance projects related to unnamed persons' requirements, through which the Agency will issue a requirement to a third party to obtain information for the purpose of verifying compliance of an unnamed person or persons. By this method, the CRA can get information concerning a group of people to find out if they are filing, registering, reporting, and paying their taxes.

In 2014-2015, to give taxpayers the opportunity to voluntarily comply, the CRA promoted industry awareness of the new income tax and excise tax legislative provisions aimed at addressing electronic suppression of sales. The awareness period was completed and the CRA has now begun enforcing the new legislative provisions by establishing point-of-sales audit teams to identify electronic suppression of sales, primarily in the hospitality industry.

Underground economy specialist teams

The CRA also continued to dedicate resources to auditing high-risk underground economy files through the specialist teams established in 20 cities across Canada. These teams are the focal point for conducting high-risk underground economy audits, and take the lead for auditing emerging underground economy issues, with a view to maximizing the detection of unreported and under-reported income. A proven, nationally consistent audit approach increases the effectiveness of our audits. Targeted risk assessment is also used to reduce the burden on compliant taxpayers. As a result of the 2015 federal budget, the Government committed to invest $118.2 million over five years to expand the underground economy specialist teams. Additional teams will adopt new approaches to identify and combat the underground economy, including advanced analysis and working with provincial colleagues to address local sectors participating in the underground economy.

Key results

- We audited 6,540 income tax and GST/HST underground economy files and identified over $448 million in fiscal impact.

Compliance support for small and medium enterprises

In January 2014, the former Minister of National Revenue announced a new three-point plan designed to make it easier for taxpayers who want to comply with the tax laws of Canada and make it more difficult for those who choose not to. The plan includes the Liaison Officer Initiative, the Registration of Tax Preparers Program, the Industry Campaign Approach and an enhanced focus on high-risk files. During 2014-2015, the CRA advanced these initiatives, which are intended to improve the way we promote and approach tax compliance among Canada's small and medium enterprises.

1. Liaison Officer Initiative

Following a successful pilot implementation in 2014, the Liaison Officer Initiative became a permanent national program in 2015 operating in all regions of Canada.

Liaison officers working with small and medium enterprises provide information and in-person support at key points in their business cycle to help them get their taxes right, from the start. This means they might avoid being audited in the future. Results continue to be very positive. By the end of the 2014-2015 fiscal year, we completed 3,600 visits, 90% of the businesses visited said they better understand tax matters, and 92% felt this approach would be useful to other businesses.

90% of the businesses we visited said the Liaison Officer Initiative helped them understand tax matters

2. Registration of Tax Preparers Program

Under the Registration of Tax Preparers Program, tax preparers who prepare an individual or corporate income tax return for a fee will have to register with the CRA, allowing the CRA to link each tax return to the individual tax preparer and the business the tax preparer works for. This way, the CRA can identify people who prepare inaccurate income tax returns and work with them, providing focused information and support, to prevent future mistakes. The CRA will tailor its compliance approach to help tax preparers improve the quality of the tax returns they file. This will benefit taxpayers, tax preparers, and the government.

Since this program was announced by the former Minister, the CRA consulted extensively with tax preparers and other stakeholders and the feedback we received will contribute to the design of the program. The consultation report summarizing the feedback is available at www.cra.gc.ca/rtpp[viii].

3. Enhanced focus on high risk

By using advanced business intelligence, we are improving our ability to select the highest-risk files and develop more focused strategies. This makes better use of information and ultimately improves our ability to implement novel approaches based on the level of risk, such as sector-specific letter writing campaigns and specialized audit teams to supplement the CRA's traditional audit approaches.

One initiative arising from the enhanced focus on high risk is the Industry Campaign Approach, which encourages voluntary tax compliance within various industry sectors by collaborating with industry associations and other external stakeholders to give businesses sector-specific tax information focused on helping them comply with their tax obligations. This approach will enhance the CRA's relationships with selected industry sectors and provide them with more useful information on how to avoid potential tax pitfalls. It is also providing industry benchmarks which businesses may find helpful in assessing their financial performance compared with others in the same sector.

In 2014-2015, the CRA hosted a number of information and engagement sessions with associations representing businesses in the Mining and Oil and Gas Support Services Sector. The associations provided input to the CRA on how to improve communication materials, including our website and letters to new businesses and repeat late-filers on how to avoid common tax pitfalls.

We have also continued to improve our ability to identify false claims and detect suspicious patterns of behaviour. In 2013-2014, the CRA developed an identity theft strategy to reduce the risk of identity theft. As the work is complex and highly technical, we centralized workloads and created specialized teams to best use our technical knowledge to detect and prevent these cases. Since we began using advanced business intelligence, we identified more than 1,000 cases of identity theft and raised more than $2.1 million in assessments in 2014-2015.

Office audit letter campaign

The office audit letter campaign is part of the CRA's efforts to encourage voluntary compliance. Although most businesses file a tax return when required and pay what they owe on time, some businesses do make avoidable errors on their tax returns.

On average, we send more than 30,000 reminder letters per year to sectors at risk of non-compliance

Since the campaign began in 2010, we send on average more than 30,000 letters per year to taxpayers within groups at risk of non-compliance. The letters provide taxpayers with more information regarding certain claims they made on one or more of their recent income tax and benefit returns. We send the letters for educational purposes or to notify taxpayers of a potential audit in their sector. Following each campaign, a substantial number of taxpayers request adjustments to their tax returns. Over the five years of the campaign, the total fiscal impact related to issues the letters raise is estimated to be $11.3 million.

The campaign is cost-effective because it reduces the need for audits or examinations after tax returns are filed and is expected to increase accuracy rates for future filings. By improving voluntary compliance, it allows CRA auditors to focus on detecting and addressing the most serious cases of non-compliance. Preventing mistakes from happening in the first place, or encouraging businesses to self-correct, is more efficient for both businesses and government.

Key results

- We reviewed 37,472 files from small and medium enterprises.
- Small and medium enterprise audit activities identified $1.3 billion in fiscal impact[3].

GST/HST compliance

The CRA's GST/HST compliance programs are designed to make sure GST/HST registrants comply with reporting requirements and to identify and address non-compliance. The GST/HST compliance activities protect Canada's revenue base by aggressively pursuing those taxpayers who participate in the underground economy and in aggressive GST/HST planning schemes. We complete more than 70,000 GST/HST audits every year and, in 2014-2015, GST/HST audits generated more than $2.2 billion in fiscal impact.

In an effort to strengthen GST/HST compliance and help the CRA combat the underground economy, the 2014 federal budget authorized the Minister of National Revenue to register a person for GST/HST purposes when the person does not register even after the CRA explains the requirement to do so.

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3. Following an extensive review of audit result coding policies and practices, the CRA introduced changes to its methodology, aimed at modernizing how of audit results are measured. These changes made sure we reported on the full spectrum of our audit efforts and resulted in additional fiscal impact of $41M for Small and Medium Enterprises programs.

Supporting the Agency's Underground Economy Strategy, we continued our point-of-sales initiative with audit teams across Canada to address the use of electronic suppression of sales software to delete or modify sales transactions without maintaining a record of those changes. Some businesses use the software to hide their sales and evade the payment of GST/HST and income tax. In 2014-2015, the point-of-sale audit teams completed six GST/HST and income tax audits and identified approximately $500,000 in unreported GST/HST and income tax. The teams continue to work on high-risk cases involving point-of-sale systems and can propose electronic suppression of sales penalties as well as gross negligence penalties in some cases.

In 2014-2015, we placed greater focus on high-risk files to address non-compliance. We continue to enhance the integrity of assessing risk of files, selecting files, and completing audits through a variety of risk assessment and quality assurance initiatives.

Initiatives supporting risk assessment include the GST/HST risk assessment model used as part of a three-tiered risk assessing process for GST/HST large business audit domestic files; the pre-assessment national inventory used to identify high-risk returns and enable workloads to be shared nationally, ensuring GST/HST audit resources are efficiently deployed; and the GST/HST post audit risk assessment tool used to assess the overall risk of GST/HST registrants and identify those with the greatest risk of non-compliance.

Initiatives supporting quality assurance include business intelligence and quality assurance which improves the targeting of compliance efforts and enhances audit quality, accountability, and internal controls for national GST/HST small and medium business audit and refund integrity programs; audit quality review which makes sure audits meet national pre-established quality standards and are performed in accordance with legislation and national audit policies and procedures; and the National Quality Assurance Program which ensures consistency in the rating of completed audit quality review cases across the country, validates the exclusion of certain audit files from the audit quality review process and provides assurance on the integrity of the program.

Working with partners

The CRA is not alone in working to make sure Canada's tax system is administered effectively and efficiently. We collaborate with partners in the following ways:

- **CRA/CPA Commodity Tax Committee:** To support the governance of the CRA/CPA Canada Framework, a steering committee was established between the CRA and CPA Canada in November 2014 to manage the relationship between the two parties and provide high-level guidance to the seven committees established to address specific tax-related matters. The CRA/CPA Canada Commodity Tax Committee is one of these committees and provides a forum for senior CRA officials and CPA Canada to engage in constructive dialogue.
- **Groupe de travail multifonctionnel:** The CRA administers the GST/HST in all provinces except Quebec, where Revenu Québec is responsible for administering the GST/HST in accordance with a memorandum of understanding. In February 2015, the CRA and Revenu Québec established a working group to administer the GST/HST consistently and uniformly across the country in accordance with appropriate legislation and agreements. The group will work towards a goal to make sure GST/HST registrants across Canada are treated similarly for GST/HST purposes.

- **Refund Integrity Cost Recovery initiative:** We work with the provinces and territories on specific compliance initiatives such as the Refund Integrity Ontario project where we partnered with the Ontario government to strengthen compliance and increase coverage using a cost-recovery approach.

Key results

- We completed 70,421 GST/HST audits.
- The total additional fiscal impact of GST/HST audits was over $2.2 billion[4].

Scientific Research and Experimental Development

Each year, the Agency processes over 24,000 SR&ED claims

The Scientific Research and Experimental Development (SR&ED) program provides tax assistance and investment tax credits to Canadian businesses as an incentive to conduct qualifying industrial research and development activities in Canada. The CRA's role is to make sure all claims under these programs are made in accordance with legislative requirements.

To reduce the administrative burden on companies making SR&ED claims, we continued our feasibility study of a formal pre-approval process for those claims. The study includes a three-year pilot project with businesses across Canada. The CRA worked to increase awareness of the SR&ED program in 2014-2015 through outreach and stakeholder engagement activities including the following:

- We posted four videos on the CRA's YouTube channel, focusing on an overview of the SR&ED program, what type of work and expenditures qualify for the SR&ED tax incentives, how to calculate the SR&ED investment tax credit, and how to file a claim.
- We piloted webinars featuring current information and an explanation of the SR&ED program. The pilot was a success and, due to the positive feedback and overwhelming demand from participants, the CRA began providing these webinars on an ongoing basis on April 1, 2015.
- We collaborated with other government departments, such as the Canadian Intellectual Property Office, Department of Foreign Affairs, Trade and Development, Export Development Canada, and National Research Council – Concierge Service, on cross-promotional opportunities for the SR&ED program.
- We partnered with the Chartered Professional Accountants of Canada and the Association de planification fiscale et financière to coordinate two symposiums to promote and discuss the SR&ED program.
- We continued to engage tax preparers and industry associations to address emerging issues related to the program.

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4. Following an extensive review of audit result coding policies and practices, the CRA introduced changes to its methodology, aimed at modernizing how audit results are measured. These changes made sure we reported on the full spectrum of our audit efforts and resulted in additional fiscal impact of $475M for GST/HST programs.

Key results

- The SR&ED program processed 24,302 claims.
- The program provided more than $3.1 billion in tax assistance in support of industrial research and development.
- The CRA identified over $394 million in non-compliance.

Criminal Investigations Program

The Criminal Investigations Program enforces the acts the CRA administers by detecting and addressing tax evasion and fraud. The program plays a crucial role in protecting the tax base by making sure cases of tax evasion and fraud are investigated and, where appropriate, referred to the Public Prosecution Service of Canada for criminal prosecution. To enhance public awareness and encourage voluntary compliance, we also publicize the results of court convictions and significant criminal investigations such as searches, seizures, and criminal charges.

The Criminal Investigations Program is improving the efficiency of its delivery and overall effectiveness by consolidating offices strategically located close to key partners such as the Royal Canadian Mounted Police and the Public Prosecution Service of Canada; enhancing the consistency of the approach to investigations, particularly by selecting files based on national program priorities; aligning competencies with criminal investigations skills; and improving the ability to use the expertise of investigators by creating a critical mass of technical expertise to address complex cases of tax evasion and fraud.

In 2014, Parliament amended the *Income Tax Act*, the *Excise Tax Act*, and the *Excise Act, 2001* to let the CRA share relevant taxpayer information with law enforcement when there are reasonable grounds to believe the information contains evidence of a listed serious criminal offence within the mandate of other law enforcement agencies. The amendments are consistent with recommendations from the Organisation for Economic Co-operation and Development's Committee on Fiscal Affairs. Sharing information under the new provisions is strictly governed by new operating procedures, which came into effect on March 31, 2015, and will be administered by the Criminal Investigations Program given its expertise in deciding whether reasonable grounds exist to prove a crime has taken place.

Key results

- The Public Prosecution Service of Canada conviction rate was 96%.
- The courts awarded $9.7 million in criminal fines and 95 individuals and businesses received criminal convictions.
- Thirty-four individuals received prison sentences amounting to a total of 57 years in jail.

Voluntary Disclosures Program

Total unreported income from all voluntary disclosures was over $1.3 billion

The Voluntary Disclosures Program gives individual taxpayers and businesses an opportunity to correct inaccurate or incomplete information, or to disclose information not previously reported. For example, taxpayers may not have met their tax obligations if they claimed expenses they were not entitled to, failed to remit source deductions or the GST/HST, or did not file an information return. Taxpayers who make a valid disclosure will have to pay the taxes or charges plus interest, but are not subject to further penalties or prosecution.

In 2014-2015, the CRA continued to promote awareness of the Voluntary Disclosures Program through its website, a promotional video, tweets, tax tips, and stakeholder messaging.

- Total unreported income from all voluntary disclosures was over $1.3 billion, an increase of 65% over the 2013-2014 fiscal year.
- Total unreported income from offshore disclosures was $780 million, an increase of 157% from 2013-2014. The number of disclosures and the amount of undeclared disclosures, in part due to continued international efforts to share tax data, made up most of the increase.
- There were 19,134 voluntary disclosures received in fiscal year 2014-2015, an increase of 21% over the prior year.

Budgetary financial information (dollars)
Human resources (full-time equivalent)

Program/ Subprogram		2014-15 Main Estimates	2014-15 Total Authorities	2014-15 Planned[1]	2014-15 Actual[2]	2014-15 Difference (Planned minus Actual)
Reporting Compliance	$	1,054,502,522	1,142,412,219	1,062,102,673	**1,108,667,741**	(46,565,068)
	FTE			9,942	**9,790**	152
International and Large Business	$			320,135,923	**329,629,290**	(9,493,367)
	FTE			2,630	**2,459**	171[3]
Small and Medium Enterprises	$			572,394,171	**627,431,458**	(55,037,287)[4]
	FTE			5,916	**6,119**	(203)[5]
Scientific Research and Experimental Development	$			83,838,508	**86,155,176**	(2,316,668)
	FTE			721	**701**	20
Criminal Investigations Program	$			79,239,560	**60,126,096**	19,113,464
	FTE			598	**439**	159[6]
Voluntary Disclosures Program	$			6,494,511	**5,325,721**	1,168,790
	FTE			77	**72**	5

1 Planned spending excludes severance payments, parental benefits, vacation credits, the one-time transition payment for implementing the pay-in-arrears model, and the carry-forward of unused funds from 2013-2014 under the CRA's two-year spending authority. This funding is received during the fiscal year and is included only in actual spending.

2 Modified cash basis, based on Parliamentary appropriations used. See pages 104-105 for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

3 Decrease resulted primarily from a lower-than-planned cost recovery workload in various initiatives, including the Ontario Aggressive International Tax Planning initiative.

4 Increase primarily due to workload transfers from other programs.

5 Increase resulted primarily from additional staff needed to address new workload in business transformation and investment in business intelligence.

6 Decrease resulted primarily from reduced salary expenditures; the Criminal Investigations Program experienced delays in staffing a full complement of technically qualified employees for the six new regional offices. The program is now almost fully staffed.

Performance measurement

Program/ Subprogram	Expected Result	Performance Indicator	Target	Actual Result
Reporting Compliance	Reporting non-compliance is detected and corrected by better targeting compliance actions through effective risk assessment	Change rate (percentage of risk-assessed audit activities resulting in detection of non-compliance by individuals and corporations)	75%	76%
International and Large Business	Reporting non-compliance is detected and corrected by better targeting compliance actions through effective risk assessment of the largest and most complex tax filers	Change rate for international and large business audits (percentage of risk-assessed audit activities resulting in detecting non-compliance)	75%	73%
Small and Medium Enterprises	Reporting non-compliance is detected and corrected by better targeting compliance actions through effective risk assessment of the individuals, small and medium businesses, and non-residents	Change rate for small and medium-sized enterprises audits – income tax (percentage of risk-assessed audit activities resulting in detecting non–compliance)	75%	77%
GST/HST	Reporting non-compliance is detected and corrected by better targeting compliance actions through effective risk assessment of GST/HST registrants	Change rate for GST/HST audits (percentage of risk-assessed audit activities resulting in detecting non–compliance)	75%	77%
Scientific Research and Experimental Development	Eligible claimants receive timely SR&ED tax incentives	Percentage of service standards targets met or mostly met relating to SR&ED[1]	100%	100%
	Reporting non-compliance is detected and corrected by better targeting compliance actions through effective risk assessment of SR&ED claimants	Change rate for SR&ED audits (percentage of risk-assessed audit activities resulting in detecting non-compliance)	75%	73%
Criminal Investigations Program	Suspected cases of evasion or fraud are detected and addressed through referrals to Public Prosecution Service of Canada (PPSC)	Percentage of files accepted by PPSC resulting in a conviction	80%	79%
Voluntary Disclosures Program	Timely and effective processing of voluntary disclosure submissions	Percentage of files completed vs. intake	80%	95%

[1] **Details on our service standards are on page 168.**

Program
Collections and Returns Compliance

The Collections and Returns Compliance programs are committed to protecting the integrity of Canada's tax laws and supporting compliance with tax obligations by identifying, addressing, and preventing non-compliance, and by ensuring tax debt is resolved on a timely basis. We undertake a range of activities to promote and enforce compliance with Canada's tax laws for filing, withholding, registering, and paying debt obligations, including amounts collected or withheld in trust for the Government of Canada. We do this through education campaigns, automated strategies, call centres, and field operations. These activities are carried out on behalf of the federal government, the provinces, the territories, and certain First Nations governments.

$255B

We collected $255 billion through source deductions

Subprogram	Description
Trust Accounts – Compliance	This program protects the largest part of Canada's revenue base by facilitating and enforcing registration, withholding, remitting, reporting, and filing obligations for payroll deductions, GST/HST, other levies, and non resident taxes. We influence compliance attitudes through targeted strategies and address non-compliance through automated systems, call centres, and field operations.
Non-Filer – Compliance	This program facilitates and enforces filing for individuals, businesses, and trusts. We use a risk-based approach to influence filing behaviour and address non-compliance through targeted strategies, automated systems, call centres, and field operations.
Collections – Tax and Government Programs	This program protects Canada's revenue base by collecting outstanding accounts receivable for tax and other government programs on behalf of federal, provincial, and territorial governments, as well as other government departments and agencies. We protect the tax base through a graduated approach which begins with high-volume, low-cost, automated systems and uses more resource-intensive strategies where needed.

Trust Accounts – Compliance

Source deductions are the largest contributor to Canada's income tax revenue each year, accounting for $255 billion in 2014-2015 alone, helping to fund federal, provincial, and territorial government programs and infrastructure. To support and sustain Canada's source deduction system, the CRA makes sure taxpayers comply with their registration, withholding, remitting, reporting, and filing obligations related to payroll, GST/HST, other levies, and non-resident taxes.

In 2014-2015, 10,627 businesses registered for GST/HST as a result of CRA actions

Every year, millions of Canadians rely on their employers to deduct the right amount of income tax from their paycheques, and to deduct and remit their employee contributions to the Canada Pension Plan (CPP) and employment insurance (EI) along with the employer's portion of CPP contributions and EI premiums.

The CRA makes compliance easier by giving employers the information and tools they need. By expanding our knowledge and understanding of employers' needs at critical points in their business life cycles, we can tailor our approach. For example, in 2014-2015 we identified new employers and GST/HST registrants as population segments which could benefit from assistance. So, the Agency implemented automated dialing announcements to remind these groups of their filing obligations and due dates. By offering new employers and GST/HST registrants early assistance to meet their tax obligations, we aim to establish a pattern of ongoing compliance.

The CRA is always looking for new ways to use technology and risk-management techniques to increase efficiency and optimize compliance. For example, in 2014-2015, we developed the Non-Registrant Identification System, a risk-management tool which reduces our reliance on manual processes such as tracking inventory and production, takes greater advantage of the Agency's information holdings, and enhances our capacity to identify higher-risk accounts.

A legislative amendment introduced in Budget 2014 improved the CRA's efficiency and effectiveness in dealing specifically with GST/HST non-registrants. Previously, taxpayers required to register for the GST/HST had to apply to the Minister of National Revenue to do so, but the CRA could not compel them to register. The Minister now has authority to register taxpayers and assign them a GST/HST registration number if they fail to register.

Key results

- We reviewed over 585,361 payroll accounts.
- We resolved over 290,449 GST/HST files through our GST/HST delinquent filer program.
- We completed 744 employer compliance audits.
- We identified over $4.4 billion in non-compliance, including source deductions.

Non-Filer – Compliance

Canada's tax system is based on self-assessment and willing compliance. For the system to be effective, individuals, corporations, and trusts must fill out an income tax return. Taxpayers who do not comply with this basic requirement are considered non-filers. The CRA is working to reduce this form of non-compliance.

Rapidly advancing technology and the availability of data-mining tools are helping the CRA to more quickly distinguish between lower-risk files and higher-risk files. Equipped with this knowledge, we are able to more effectively target our compliance measures.

More than 92% of individuals paid and filed tax returns on time without CRA intervention

In 2014-2015, the CRA was able to resolve low-risk, low-complexity files using a more efficient approach. Recognizing not all non-filers needed an in-depth review or face-to-face contact to encourage compliance, the Agency assigned low-complexity files from across Canada to call centre agents for follow-up. This brought in more than 25,000 returns without further intervention from the Agency.

The CRA is also working with provincial governments and other federal departments on projects to address non-compliance, with particular focus on the underground economy in high-risk sectors. In 2014-2015, the Agency surpassed its targets for the Ontario Compliance Project and the Enhanced Compliance Strategies.

Key results

- We received over 703,363 income tax and information returns as a result of our actions to prompt compliance by non-filers.
- We identified $4 billion in non-compliance in the non-filer segment.

Collections – Tax and Government Programs

Canada's federal, provincial, territorial, and First Nations governments rely on tax revenues to meet their budget commitments, from building and maintaining infrastructure to supporting much-needed social programs. The CRA collects accounts receivable for tax and other government programs to support Canadian governments.

A 10-year collection limit on most tax debts took effect in March 2014. The CRA is implementing an automated system to track and resolve debts within the newly imposed time limit, and launched the first elements of the system in February 2015. It includes a central debt expiry calculator which calculates the limitation period on outstanding tax debts to help make sure the CRA only takes collection actions on legally enforceable accounts.

Better use of information

One of the collections-related priorities for the CRA in 2014-2015 was to review how well we incorporate existing research into our debt-management strategies, and to formalize a research framework which will provide easier access to existing data and research findings. Better access to research information will improve the CRA's automated collections strategies and lead to more effective targeted collections campaigns designed to positively influence payment compliance.

The CRA is constantly investigating ways to use information and advanced analytical insight to improve its non-compliance approaches and strategies. In 2014-2015, some of our major achievements included:

- the Dynamic Risk Score Framework, a new risk-assessment concept to help with the collection process
- developing three data-mining models, which are tools used to help with our GST/HST collections and compliance strategies
- incorporating the data available from the individual, business, GST/HST, non-filer, and payroll business lines into our research processes to facilitate more in-depth statistical analysis for our collection and compliance efforts

International collections strategies

The CRA is continuously improving its collections approach, including developing more specialized ways to deal with complex tax issues such as aggressive tax planning and the underground economy, both domestically and internationally. In 2014-2015, the CRA developed an aggressive tax planning and offshore non-compliance collections strategy designed to address these pervasive issues and to engage the help of national and international partners. The strategy included four main objectives:

- enhance the CRA's collections capacity
- work with other government stakeholders
- work with other countries
- leverage the private sector

Over the reporting period, the Agency enhanced partnerships with other government stakeholders and implemented file exchange processes for new initiatives related to the underground economy and aggressive tax planning. We also expanded our international partnerships, including signing the Treaty Collections agreement with the Federal Republic of Germany to allow CRA collection officers to ask for help from other countries when pursuing offshore collection activities.

86% of corporations file and pay their taxes on time without CRA intervention

Digital options

The CRA's continued expansion of digital services in 2014-2015 included new options for taxpayers who need to repay debt. The Agency took several steps to build awareness of these options, such as:

- we now refer to various methods of e-payments in our collection letters
- we released a collections video to promote paying tax debt and highlight online payment options
- we now direct taxpayers toward convenient one-step payment methods through the My Payment portal or Plastiq
- we promoted payment arrangements using the My Account or My Business Account portals on the CRA's main webpage

The CRA is also exploring ways to offer financial institutions access to new digital options. For example, currently we manually send requirements to pay and requirements for information to financial institutions, and we receive manual responses. To better meet the needs of the financial community, we are exploring ways to transmit and receive documents and payments digitally. In 2014-2015, we began developing a framework for receiving documents online from multiple third parties. We also began exploring ways to allow the CRA to submit legal documents to financial institutions electronically.

Continuous improvement

The Agency is continuously evaluating new approaches to strengthen its collection activities, often piloting a new approach in one business line, such as individual collections, then expanding successful initiatives into other areas, such as business collections.

In 2014, we concluded phase two of the multi-year development of the CRA's integrated revenue collections computer system. Based on an earlier phase focused on T1 collections, phase two expanded into other business lines and has improved front-end workflow processes in the following ways:

- it reduced the percentage of calls abandoned by the caller in the Debt Management Call Centre from 15% to 1.2%
- it used the Debt Management Call Centre to handle calls from the T1 Non-Filer program
- it improved business intelligence by expanding the research, data analysis, and reporting environment
- it enhanced strategic or operational decisions, using GST/HST predictive data-mining models to support efficiency gains and better services to taxpayers.

In 2014-2015, the CRA resolved over $52 billion in outstanding tax debt

In 2014-2015, we conducted a pilot initiative to find out if "nudging" is effective. This technique uses reinforcement messaging to achieve compliance. The pilot compared taxpayers who received nudge letters with taxpayers who received standard collection letters or who were not contacted directly by the CRA. The pilot revealed the nudge letters increased the total dollars collected by 12% compared to standard collection letters. Outcomes also showed more money was collected and more accounts were paid in full. The nudge technique is useful in encouraging compliance and the CRA will continue to use it.

Key results

- The CRA resolved over $52 billion in outstanding tax debt.
- The Agency recovered $584 million of the outstanding debt portfolio for Employment and Social Development Canada.

Budgetary financial information (dollars)
Human resources (full-time equivalent)

Program/ Subprogram		2014-15 Main Estimates	2014-15 Total Authorities	2014-15 Planned[1]	2014-15 Actual[2]	2014-15 Difference (Planned minus Actual)
Collections and Returns Compliance	$	440,164,211	551,816,289	440,670,268	**519,837,234**	(79,166,966)
	FTE			6,983	**7,705**	(722)
Trust Accounts – Compliance	$			70,092,188	**96,356,362**	(26,264,174)
	FTE			1,746	**1,962**	(216)[3]
Non-Filer – Compliance	$			62,262,599	**70,288,652**	(8,026,053)
	FTE			876	**940**	(64)[3]
Collections – Tax and Government Programs	$			308,315,481	**353,192,220**	(44,876,739)
	FTE			4,361	**4,803**	(442)[4]

1 **Planned spending excludes severance payments, parental benefits, vacation credits, the one-time transition payment for implementing the pay-in-arrears model, and the carry-forward of unused funds from 2013-2014 under the CRA's two-year spending authority. This funding is received during the fiscal year and is included only in actual spending.**

2 **Modified cash basis, based on Parliamentary appropriations used. See pages 104-105 for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.**

3 **Increase primarily due to increased spending to implement and administer new measures to improve the fairness and integrity of the tax system and strengthen tax compliance.**

4 **Increase primarily due to additional collection activity to increase production and slow the growth of inventory.**

Performance measurement

Program/ Subprogram	Expected Result	Performance Indicator	Target/ Forecast	Actual Result
Collections and Returns Compliance	Tax debt and government programs debt is resolved on a timely basis and is within targeted levels	Percentage of collections resolved compared to planned for tax programs	100%	106.5%
		Percentage of collections resolved compared to planned for Government Programs	100%	96.7%
	Ensure compliance with registering, filing, and remitting requirements as they relate to the *Income Tax Act*, the *Canada Pension Plan*, the *Employment Insurance Act*, the *Excise Tax Act*, and other legislation	Percentage of cases resolved, returns obtained, and accounts registered compared to forecast	100%	103.3%
Trust Accounts – Compliance	Ensure compliance with filing, remitting, and GST/HST registration requirements as they relate to the *Income Tax Act*, the *Canada Pension Plan*, the *Employment Insurance Act*, and the *Excise Tax Act*	Percentage of dollar value of assessments and estimated assessments related to Employer, GST/HST, and Part XIII related compliance and non-registration activities compared to forecast	95%	109%
		Percentage of cases resolved and accounts registered directly associated to the value of assessments related to employer, GST/HST, and Part XIII related compliance activities compared to forecast	95%	106%
		Percentage of completed compliance activities contributing to the value of assessments related to employer, GST/HST, and Part XIII related compliance activities compared to forecast	95%	101%
Non-Filer – Compliance	Ensure compliance of individuals, corporations, and trusts with filing requirements as they relate to the *Income Tax Act* and other legislation	Percentage of dollar value of returns assessed related to non-filer activities for individuals, trusts, and corporations compared to forecast	95%	141%[1]
		Percentage of returns assessed related to non-filer activities for individuals, trusts, and corporations compared to forecast	95%	116%[1]
		Percentage of supporting non-filer compliance activities for individuals, trusts, and corporations compared to forecast	95%	104%

Program/ Subprogram	Expected Result	Performance Indicator	Target/ Forecast	Actual Result
Collections – Tax and Government Programs	The tax debt portfolio is managed for the federal and provincial or territorial governments	Percentage of tax services office tax accounts receivable aged inventory (>5 years) in dollars compared to closing tax services office inventory	18%[2]	13.3%
		Percentage of assessed years totalling eight years or older by fiscal year-end for T1, T2, and GST/HST accounts	10%[3]	3%
		Percentage of assessed years totalling five years or older by fiscal year-end for employer accounts	10%	10.8%
	Tax debts are collected and resolved for the federal and provincial or territorial governments on a timely basis and within targeted levels	Percentage of accounts receivable dollars resolved (production) in the fiscal year compared to the dollar value of accounts receivable received (intake) in the fiscal year	90%	92.4%
		Percentage of accounts receivable under one year as a percentage of gross receipts	4%	3.7%

1 **Non-filer production and fiscal impact results reflect the strong performance in core program, and enhanced regional efforts to meet commitments under the enhanced compliance initiatives and Ontario compliance project, which are largely focused on high-yield workload selection and the underground economy.**

2 **Beginning in the 2016-2017 reporting period, the CRA has adjusted the target from 18% to 17%.**

3 **Beginning in the 2015-2016 reporting period, the CRA has adjusted the target from 10% to 5%.**

Program
Appeals

The CRA's redress process resolves disputes for taxpayers and benefit recipients who contest our decisions and seek relief. If taxpayers are not satisfied with the results of the process, they can then appeal to the courts. The CRA assists the Department of Justice Canada in handling cases sent before the courts.

90,059

We resolved 90,059 income and commodity tax disputes

Subprogram	Description
Income Tax Objections, Determinations, and Appeals to the Courts	This program provides a timely, impartial, and consistent dispute resolution process for taxpayers who disagree with decisions taken by the CRA relating to assessments or determinations made under the *Income Tax Act*. By engaging in dialogue with the taxpayer, an appeals officer conducts an impartial review of the decision to try to resolve the dispute. This program also assists the Department of Justice in handling appeals to the courts.
Commodity Taxes Objections, Determinations, and Appeals to the Courts	This program provides a timely, impartial, and consistent dispute resolution process for taxpayers who disagree with decisions taken by the CRA relating to assessments or determinations made under the *Excise Act* and the *Excise Tax Act*. By engaging in dialogue with the taxpayer, an appeals officer conducts an impartial review of the decision to try to resolve the dispute. This program also assists the Department of Justice in handling appeals to the courts.
Canada Pension Plan/Employment Insurance Appeals to the Minister and Appeals to the Courts	This program provides a timely, impartial, and consistent dispute resolution process for taxpayers who disagree with decisions taken by the CRA relating to assessments or rulings made under the *Canada Pension Plan* and the *Employment Insurance Act*. By engaging in dialogue with the taxpayer, an appeals officer conducts an impartial review of the decision to try to resolve the dispute. This program also assists the Department of Justice in handling appeals to the courts.
Service Complaints	This program provides a timely and impartial process service complaints resolution process for taxpayers who are not satisfied with the level of service they have received from the CRA. It identifies service-related problems and proposes solutions to taxpayers.
Taxpayer Relief	This program administers legislation designed to give the Minister of National Revenue the discretion to help taxpayers who are unable to meet their tax obligations because of circumstances beyond their control. This program assists taxpayers by acknowledging and processing taxpayer relief requests in a timely and consistent manner.

Income and Commodity Tax Objections, Determinations, and Appeals to the Courts

As outlined in the tax legislation and the *Taxpayer Bill of Rights*, every taxpayer is entitled to a formal review and subsequent court appeal if they believe they have not received their full entitlements under the law.

The Agency encourages taxpayers to contact us when they have questions concerning a decision we make or they object to because they think we made a mistake. To provide an impartial review of a decision, the CRA makes sure these objections are reviewed by an appeals officer who was not involved in the original decision.

Balancing workload

Over the past three years, the CRA has developed strategies and action plans to address its growing inventory of objections.

Following implementation the previous year of a national workload management strategy for low-complexity files, in 2014-2015 we nationalized the medium-complexity workload with positive results. For example, we reduced the average age of the inventory of regular small and medium enterprise objections by 7% from 2013-2014.

The implementation of the targeted strategy to complete older files resulted in an increase in average days to complete regular workload income tax and commodity tax files. The aged files will continue to be a high priority in the coming year as the CRA works to resolve all outstanding workable low-and medium-complexity files with a mailing date prior to 2014.

Results of the Tax Avoidance Group (TAG) workload in the 2014-2015 period include resolving 25,462 disputes and completing steps toward finalizing an additional 66,474 files. Pending reassessments for taxpayers who accepted dispute resolution offers will account for 18,332 of these files. Of the remaining 48,142 objections, offers will be made to resolve approximately 5,000 in 2015-2016, while the remainder indicated they wish to proceed to court to have their claim to the donation tax credit determined. The continued downward trend in TAG file intake contributed positively to inventory reduction efforts. Intake for 2014-2015 was 16% below forecast and 32% less than the prior year.

Key results

- We received 75,970 income and commodity tax disputes.
- We resolved 90,059 income and commodity tax disputes.
- 3,424 appeals were filed before the Tax Court of Canada.

Canada Pension Plan/Employment Insurance Appeals to the Minister and Appeals to the Courts

The CRA has been consolidating all CPP/EI appeals to three sites—Québec, London, and Edmonton. Consolidating CPP/EI appeals will improve the quality of decisions and consistency in applying policies and procedures. It will also help improve inventory management and resolve appeals faster. The consolidation took effect on April 1, 2015.

Key results

- We received 2,628 CPP/EI disputes and resolved 2,576.
- 244 appeals were filed before the Tax Court of Canada.

Service Complaints

The Service Complaints program continued to strengthen its business analysis capacity to better identify trends in service complaints and use the information to address issues before they arise. The program updated its Service Complaints manual and issued 14 directives to the program officers to make sure data capture and program delivery are consistent. The program identified 22 systemic issues in fiscal year 2014-2015 which were reviewed and corrective measures taken. Examples include the following:

- Taxpayers emigrating from Canada said they were unaware of the requirement to file Form T1161, *List of Properties by an Emigrant of Canada* and the penalties for not doing so. The CRA revised its webpages to make information for emigrants regarding their filing obligations upon leaving Canada more visible.
- Taxpayers claiming a credit for foreign taxes paid said they were not aware their claims needed to be supported by an official, certified translation. As a result, the CRA updated its webpages and letters to taxpayers to clarify what is meant by an official translation.
- A taxpayer residing in an eligible prescribed zone was incorrectly denied the northern residents deductions because his specific community was not included in the CRA's list of prescribed zones. The CRA posted a notice to its tax centre agents reminding them to check all available verification tools, including postal codes, to establish whether a location falls within a prescribed zone. The technical help guide was also updated.

Key results

- We resolved 3,356 service complaints.
- 95.9% of the service complaints were resolved within 30 business days.

Taxpayer Relief

In May 2014, the CRA implemented new procedures and integrated the taxpayer relief registry system with the CRA's existing case appeals inventory management system to more effectively process, monitor, track, and report on taxpayer relief files. For taxpayers, these changes result in several service benefits, including:

- more efficient service on taxpayer relief claims
- quick status updates from call centre agents on taxpayer relief claims
- more consistent service because the Agency can now better monitor inventories
- more predictable service outcomes, because the Agency can now establish and report on internal performance indicators, and will establish a service standard

Key results

- We waived $565.7 million in penalties and interest for 400,499 requests (taxpayer-requested and automated).

Budgetary financial information (dollars)
Human resources (full-time equivalent)

Program/ Subprogram		2014-15 Main Estimates	2014-15 Total Authorities	2014-15 Planned[1]	2014-15 Actual[2]	2014-15 Difference (Planned minus Actual)
Appeals	$	194,334,428	212,604,164	194,675,861	**204,406,362**	(9,730,501)
	FTE			1,680	**1,868**	(188)
Income Tax Objections, Determinations, and Appeals to the Courts	$			146,321,746	**148,014,121**	(1,692,375)
	FTE			1,051	**1,138**	(87)[3]
Commodity Taxes Objections, Determinations, and Appeals to the Courts	$			17,410,222	**17,879,120**	(468,898)
	FTE			189	**177**	12[4]
Canada Pension Plan/Employment Insurance Appeals to the Minister and Appeals to the Courts	$			3,569,815	**1,288,851**	2,280,964
	FTE			168	**123**	45[5]
Service Complaints	$			7,800,798	**8,062,583**	(261,785)
	FTE			95	**92**	3
Taxpayer Relief	$			19,573,280	**29,161,687**	(9,588,407)
	FTE			177	**338**	(161)[6]

1 Planned spending excludes severance payments, parental benefits, vacation credits, the one-time transition payment for implementing the pay-in-arrears model, and the carry-forward of unused funds from 2013-2014 under the CRA's two-year spending authority. This funding is received during the fiscal year and is included only in actual spending.

2 Modified cash basis, based on Parliamentary appropriations used. See pages 104-105 for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

3 Increase primarily due to in-year reallocations aimed at enhancing programs (i.e., to reduce group objections and taxpayer relief inventories).

4 Decrease primarily due to workload transfers to the Taxpayer Relief program during the 2014-2015 fiscal year.

5 Decrease primarily due to staffing delays and workload transfers to other appeals programs during the 2014-2015 fiscal year.

6 Increase in FTEs primarily due to in-year reallocations aimed at enhancing programs and workload transfers from other programs during the 2014-2015 fiscal year.

Performance measurement

Program/ Subprogram	Expected Result	Performance Indicator	Target	Actual Result
Appeals	Taxpayers receive a timely review of contested decisions made under legislation administered by the CRA and the handling of service complaints is timely and consistent	Percentage of targeted levels of timeliness and consistency for income tax and commodity tax objections, CPP/EI appeals to the Minister, and service complaints met or mostly met	98%	100%
	Taxpayers receive an impartial review of contested decisions made under legislation administered by the CRA	Percentage of service standards targets met or mostly met relating to transparency and impartiality for Income Tax and Commodity Tax objections, CPP/EI appeals to the Minister, and service complaints[1]	98%	100%
Income Tax Objections, Determinations, and Appeals to the Courts	Taxpayers receive an impartial and responsive review of contested decisions made under the *Income Tax Act*	Percentage of decisions on objections filed under the *Income Tax Act* completed within established timeframes	85%	77.2%[2]
		Percentage of decisions on objections filed under the *Income Tax Act* determined to meet or exceed consistency standards	90%	97.3%
		Percentage of decisions on objections filed under the *Income Tax Act* determined to be impartial meets or exceeds target	95%	99.4%
Commodity Taxes Objections, Determinations, and Appeals to the Courts	Taxpayers receive a timely review of contested decisions made under the *Excise Act* and *Excise Tax Act*	Percentage of decisions on objections filed under the *Excise Act* and *Excise Tax Act* completed within established timeframes	85%	79.4%[3]
		Percentage of decisions on objections filed under the *Excise Act* and *Excise Tax Act* determined to meet or exceed consistency standards	90%	95.4%
	Taxpayers receive an impartial review of contested decisions made under the *Excise Act* and *Excise Tax Act*	Percentage of decisions on objections filed under the *Excise Act* and *Excise Tax Act* determined to be impartial meets or exceeds target	95%	99%

Program/ Subprogram	Expected Result[1]	Performance Indicator	Target	Actual Result
Canada Pension *Plan/Employment* Insurance Appeals to the Minister and Appeals to the Courts	Taxpayers receive a timely review of contested decisions made under the *Canada Pension Plan* or *Employment Insurance Act*	Percentage of reviews of appeals to the Minister filed under the *Canada Pension Plan* or *Employment Insurance Act* completed within established timeframes	85%	77.1%[4]
	Taxpayers receive an accurate review of contested decisions made under the *Canada Pension Plan* or *Employment Insurance Act*	Percentage of decisions regarding CPP/EI appeals to the Minister determined to meet or exceed accuracy standards	90%	99.8%
	Taxpayers receive an impartial review of contested decisions made under the *Canada Pension Plan* or *Employment Insurance Act*	Percentage of decisions of CPP/EI appeals to the Minister determined to be impartial	95%	99.9%
Service Complaints	Taxpayers are issued timely acknowledgements to their service complaints	Percentage of service complaints acknowledged within two business days	80%	98.3%
	Taxpayers receive timely resolutions to their service complaints	Percentage of taxpayers service complaints resolved within 30 business days	80%	95.9%
Taxpayer Relief	Taxpayers receive a consistent response to requests for interest or penalty relief or both	Percentage of taxpayer relief files with all supporting documentation	85%	98.8%

1 **Details on our service standards are on page 169.**

2 **The below target results for income tax objections completed within established timeframes was expected, and is due to our focus on reducing the inventory of the oldest files. Results are expected to meet targets once the aged files are resolved.**

3 **The below target results for commodity tax objections completed within established timeframes was expected, and is due to our focus on reducing the inventory of the oldest files. Results are expected to meet targets once the aged files are resolved.**

4 **The CPP/EI results for established timeframes mark a 1.1% improvement over the prior year and efforts to resolve the aged and complex inventory in all offices affected the time it took to complete files.**

Program
Benefit Programs

The CRA's Benefit Programs provide Canadians with the benefits they are entitled to. The CRA delivers a range of ongoing benefits and one-time payment programs such as the Canada child tax benefit, goods and services tax/harmonized sales tax credit, disability tax credit, and universal child care benefit, on behalf of the provinces and territories, and other federal government departments. By providing accessible information and timely responses to benefit recipients by mail, telephone, and digital services, we help to make sure the right benefit payment is made to the right individual at the right time.

$22B

We paid close to $22 billion in benefit payments

Subprogram	Description
Benefit Enquiries	This program gives benefit recipients timely and accessible information on their entitlements and obligations through self-service and assisted channels.
Benefit Programs Administration	This program delivers a range of ongoing benefits and one-time payment programs to support the economic and social well-being of Canadians. Through processing and validation activities, we make sure the right benefit payment is made to the right individual at the right time.
Statutory Children's Special Allowance Payments	This program provides payments to the federal and provincial agencies and institutions caring for children. All funding in this program flows through to recipients, and no administrative expenditures are deducted. The administration of this program is accounted for in the Benefit Programs Administration program.

Benefit Enquiries

Millions of Canadians depend on the benefit and credit programs the CRA administers for an important part of their income. We respond promptly to more than 6 million telephone enquiries from recipients. Our capacity to respond to the high volumes of telephone enquiries will improve with our Contact Centre Transformation initiative, discussed on page 29 of the chapter, "Taxpayer and Business Assistance."

We publish news and other information concerning the benefit and credit programs we administer at www.cra.gc.ca/benefits[ix]. Benefit recipients can also subscribe to our email list to be notified when the CRA issues the Canada child tax benefit, GST/HST credit, universal child care benefit, and advance payments of the working income tax benefit.

The CRA issued 115 million benefit and credit payments worth close to $22 billion to over 12 million Canadians

Key results

- **6.4 million calls answered on our benefit enquiries line in 2014-2015.**
- **We met our service standard target for timeliness by answering calls within two minutes 76% of the time for Canada child tax benefit and GST/HST credit enquiries.**

Benefit Programs Administration

The CRA administers 135 benefit and credit programs and services on behalf of the provinces and territories and the federal government. The CRA's expertise and systems lower the costs of administering programs and reduce the need for separate calculation and delivery systems at the federal and provincial or territorial levels. We provide flexible and efficient administration based on our ability to implement changes to meet our partners' needs, which in turn improves the service delivered to benefit recipients. For example, the Ontario government changed the Ontario Trillium benefit to let recipients choose a deferred, lump-sum payment and we changed our procedures and systems to enable this option.

Because clarity is important, the CRA is implementing a plain-language action plan to make our correspondence easier to understand. In 2014-2015, we began a complete review and redesign of the benefit notices we send to recipients and began user-testing the new notices designed to be delivered electronically or by traditional mail.

Validation

The CRA's role is to make sure correct payments are made to the right people as efficiently as possible. We review recipient information to make sure people receive the child and family benefits and credits they are entitled to. In some cases, we contact benefit recipients to confirm details like marital status, residency, and primary care of children, and can also ask individuals to provide documents to support their claim to benefits. If account information is incorrect, we update it and adjust recipient records and benefit payments accordingly.

In 2014-2015, we added automated confidence validity processes for provincial and territorial benefit and credit programs, and released a number of new validation and compliance reviews focused on marital status, residency, and primary care of children.

Renewing benefit infrastructure

We are updating the information technology support systems for the benefit programs we administer. The multi-year renewal project is improving system flexibility and enabling service improvements and efficiencies which will make sure we can continue to provide recipients with timely payments and information while allowing for future program growth.

Digital services

The CRA's secure digital services make it easier for benefit recipients to manage their account details, such as updating marital status and the number of children in their care, and to access information regarding their benefits. We introduced the following new features to improve the self-service digital options for benefit recipients during 2014-2015:

- Benefit recipients can now send supporting documents to the CRA electronically. Through the Submit document services, benefit recipients quickly and easily respond to requests from the CRA for more information to support a benefit application.
- The new MyCRA mobile app provides links to benefit and credit payment dates.

The CRA administers 135 benefit and credit programs

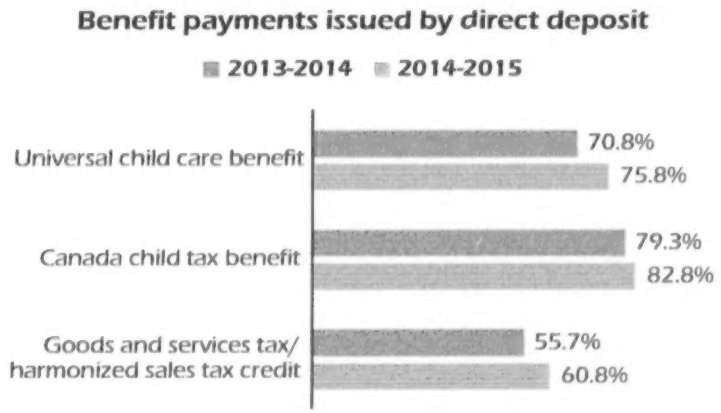
Automated Benefits Application service

The CRA's Automated Benefits Application (ABA) service allows participating provinces and territories to offer a quick, easy, and secure way to apply for all child benefit programs for newborns. Most programs use similar income-based eligibility criteria, contributing to a high degree of accuracy in benefit payments. The ABA service enables the CRA to automatically enrol applicants for federal and provincial benefits as soon as their child is born.

In 2014-2015, preparations continued towards the addition of Saskatchewan as the tenth province to use the ABA service. Their participation in ABA is targeted for January 2016. We also continue discussions with the three territories on their adoption of the service.

Direct deposit

We encourage benefit recipients to register for direct deposit because it is the fastest way for them to receive their benefit payments. It is also more efficient and cost-effective than traditional cheque payments.



Key results

- Benefit payments made by direct deposit increased to 72.2% in 2014-2015, up from 67.8% the previous year, moving us closer to direct deposit being the preferred payment option for all Canadians.
- The benefits page in My Account registered 3.3 million visits and the Quick Access service logged 566,760 visits.
- We administered 135 federal, provincial, and territorial benefit and credit programs and services.
- We reviewed 330,953 accounts based on our risk assessments and 61% of the files reviewed had to be adjusted.
- We adjusted 923,170 GST/HST credit accounts resulting from changes to recipient family situations such as a change in income, marriage, or a child turning 19.
- We issued 99.9% of Canada child tax benefit payments on time.
- We made more than 115 million payments to over 12 million benefit recipients.
- We paid close to $22 billion in benefit payments.

Budgetary financial information (dollars)
Human resources (full-time equivalent)

Program/ Subprogram		2014-15 Main Estimates	2014-15 Total Authorities	2014-15 Planned[1]	2014-15 Actual[2]	2014-15 Difference (Planned minus Actual)
Benefit Programs	$	390,354,003	362,942,761	390,442,143	**351,409,527**	39,032,616
	FTE			1,568	**1,253**	315
Benefit Enquiries	$			36,072,252	**30,836,591**	5,235,661
	FTE			519	**293**	226[3]
Benefit Programs Administration	$			108,369,891	**105,811,737**	2,558,154
	FTE			1,049	**960**	89[4]
Statutory Children's Special Allowance Payments	$			246,000,000	**214,761,199**	31,238,801[5]
	FTE					

1 Planned spending excludes severance payments, parental benefits, vacation credits, the one-time transition payment for implementing the pay-in-arrears model, and the carry-forward of unused funds from 2013-2014 under the CRA's two-year spending authority. This funding is received during the fiscal year and is included only in actual spending.

2 Modified cash basis, based on Parliamentary appropriations used. See pages 104-105 for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

3 Decrease partially due to workload transfers to other programs during the 2014-2015 fiscal year.

4 Decrease partially due to underspending, with lapses used to offset shortfalls within the Assessment of Returns and Payment Processing program.

5 Decrease primarily due to payments made to a lower than planned number of recipients.

Performance measurement

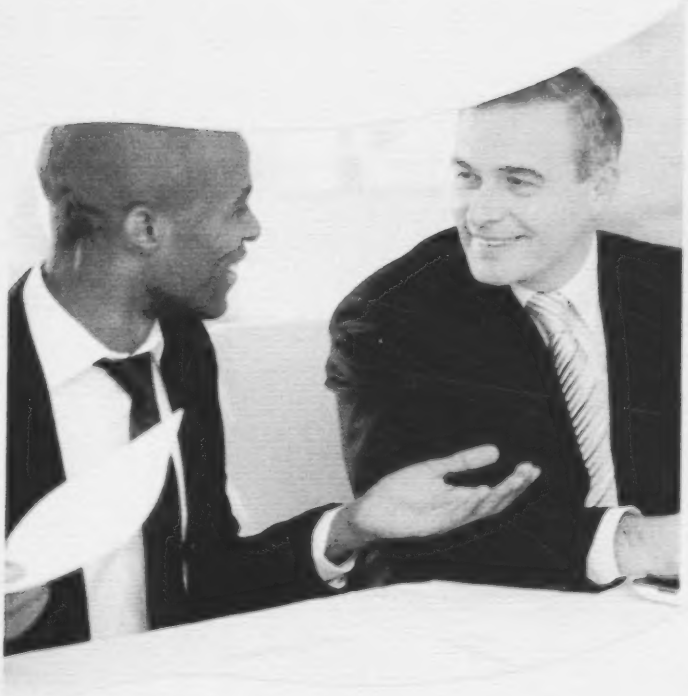
Program/ Subprogram	Expected Result	Performance Indicator	Target	Actual Result
Benefit Programs	Benefit recipients are provided timely and accurate eligibility determinations and payments, and have access to timely and accurate information	Number of service standards targets met or mostly met relating to benefits administration and enquiries[1]	100%	100%
		Payment accuracy after application processing and account maintenance transaction	98%	99.3%
Benefit Enquiries	Benefit recipients have access to timely and accurate responses to their telephone enquiries	Caller Accessibility – Percentage of Canada child tax benefit callers who succeed in reaching the CRA telephone service	80%	83%
		Caller Accessibility – Percentage of GST/HST credit callers who succeed in reaching the CRA telephone service	80%	80%
		Percentage of accurately updated internal reference materials for benefit services agents	100%	100%
Benefit Programs Administration	Benefit and credit eligibility determination and payment processing are timely and accurate	Number of service standards targets met or mostly met relating to benefit and credit application or maintenance[1]	100%	100%
		Percentage of Canada child tax benefit and GST/HST credit accounts targeted under the adjusted validation programs (validation and compliance).	50%	61.3%
		Percentage of respondents satisfied with benefit application processing time	75%	N/A[2]

1 **Details on our service standards are on page 170.**

2 **The number of respondents to the 2014 Canada child tax benefit first-time applicant survey was insufficient to produce valid results.**

Internal Services

A solid foundation of sound financial management, secure and reliable information technology, and a diverse and high-performing workforce sustains Canada's tax administration. Maintaining cost-effective internal services allows the CRA to deliver and continually improve services to Canadians, achieve the highest levels of integrity and security, and respond effectively to those who do not comply with their tax obligations.



40,000

The CRA employs a workforce of over 40,000

Human Resources

The CRA maintains a highly skilled and experienced workforce of more than 40,000 people in communities from coast to coast. Through our official languages and diversity action plans, we have succeeded in making sure our people are representative of the diversity of Canadians they serve.

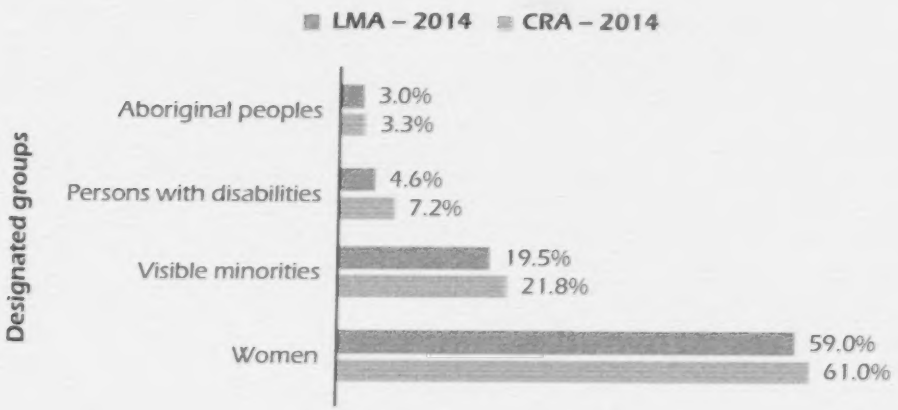
The Agency was recognized in Canada's Top 100 Employers project as one of the National Capital Region's Top Employers and one of Canada's Top Employers for Young People for 2014. The health of our organization was also highlighted in the positive results the CRA gave in the Public Service Employee Survey, which almost 83% of CRA employees completed.

Recruiting and professional development

The Agency is implementing strategies to maintain its high-performing workforce in order to meet current and future needs. For example, we created the Auditor Development Program, a three-year apprenticeship combining formal training with practical, on-the-job experience, which is gained through developmental work assignments. We also supported the Canada School of the Public Service in its new business model by providing our expertise and content derived from our Leadership Plus management training program.

Employment equity and diversity

Recognizing the diversity of its employee population contributes to our strength and integrity, the CRA is committed to achieving employment equity and to building and maintaining a strong and vibrant workforce representative of the Canadian population. Our representation levels for the four designated employment equity groups continued to surpass labour market availability (LMA[1]) in 2014.



1. The LMA for the Aboriginal peoples, visible minorities, and women is from the 2011 National Household Survey. The LMA for the persons with disabilities is from the 2012 Canadian Survey on Disability.

Information Technology

The CRA's tax administration is supported by a sophisticated suite of information technology (IT) systems and applications, whose development and maintenance is guided by our IT Strategy. We contributed significantly to developing the Treasury Board Secretariat's 2014-2017 Government of Canada IT Plan, and collaborated with Shared Services Canada (SSC) to provide IT infrastructure services for both the CRA and the Canada Border Services Agency.

The Agency is collaborating with SSC on a wide range of initiatives such as email transformation, data centre consolidation, telecommunication services, including cost effective telephone services (Cut the Cord), cyber and IT security, workplace technology devices, and hosted contact centre services. We are also working with SSC to prepare an integrated staffing system to support the Agency's recruitment process, and on the renewal of our business intelligence infrastructure, tools, and processes to meet emerging needs.

A significant focus of our annual IT work involves working with SSC on preparing and testing the systems and infrastructure Canadians use during the tax filing season, based on the anticipated volumes of transactions.

In 2014-2015 we implemented a wide range of new digital services discussed in detail in the chapter, "Assessment of returns and payment processing." Enhancing the CRA's suite of secure, digital services used by millions of taxpayers and benefit recipients contributes to broader Agency goals such as easing the compliance burden and making it easier for Canadians to receive their social benefits on time.

IT Security

The CRA's IT work is guided by our IT Security Strategy, under which we meet or exceed the security standards set by the Government of Canada. We also maintain a strong security position to protect taxpayer data from inappropriate access. The integrity and security of the information entrusted to us is supported by IT initiatives including our Data Loss Prevention project, our Identity and Access Management project, and our National Audit Trail System Modernization project. These projects complement measures in place to provide a secure digital environment so Canadians can find information and complete transactions with us, knowing appropriate safeguards are protecting confidential taxpayer information.

For example, the CRA uses specially configured Web servers for any business we do with taxpayers. We also securely store personal information on separate computer systems which are not directly accessible from the Internet. When transmitting personal information, we only allow access to our Web servers from Web browsers able to meet high security standards of encryption. This makes sure no one but the intended recipient can read transferred data. More information on how the CRA makes sure taxpayer information is secure is available at www.cra.gc.ca/security[x].

Integrity and security

Canadians trust the CRA to exercise the highest levels of integrity and security and to protect their personal information. We consider integrity and security in all activities, planning, and decision-making at the CRA. Our administration of Canada's tax and benefit system is based on integrity and security and every CRA employee has a duty to protect the privacy and confidentiality of Canadians' personal information. The CRA's computer systems are also designed to protect personal information. We have mechanisms in place to prevent, detect and mitigate any unauthorized access to our systems.

In an environment of rapidly evolving threats, we remain vigilant and continually try to improve our processes and systems to provide strong safeguards. Over the past year, several initiatives supported the Agency's integrity and security agenda:

- We included integrity measures in all executive performance agreements and completed advanced security screening for all executive positions. We also launched the Manager's toolbox on values, ethics, and integrity to support ongoing discussions and engagement with employees on questions of integrity and security.
- The CRA's employees are expected to act with integrity in everything they do. A new reporting mechanism was put in place to allow employees to challenge and report any wrongdoing they may observe in the course of their work. The CRA investigates when concerns are raised, to determine whether allegations of wrongdoing are founded.
- Mechanisms are in place to monitor employee accesses to taxpayer information and we continued to advance the modernization project to enhance our ability to make sure taxpayer information is accessed and used only for its intended purposes.
- We continued to evolve the Identity and Access Management program, which will improve internal controls over system access, compliance, and enforcement of Agency security policies and standards.
- We implemented procedures to help protect portable storage devices containing Agency information from unauthorized disclosure or infection from malicious software.
- With the Canada Border Services Agency and SSC, we established a working group to standardize rules and processes for managing system access involving CRA data stored on SSC infrastructure.
- We provided a mandatory online security course for all employees. We also produced security "KnowHow" videos and published quarterly security bulletins and newsletters, which were made available to all employees on the CRA intranet. We conducted security awareness activities to emphasize to employees their responsibilities concerning cybersecurity and the protection of information.
- We automated the Personnel Security Screening renewal process. This automation will increase the compliance levels and make sure all CRA employees have valid and appropriate screening levels.

Access to information and privacy

Canadian taxpayers have the right to privacy and can expect us to protect and manage the confidentiality of their personal and financial information in accordance with the laws we administer, such as the *Income Tax Act*, the *Excise Tax Act*, the *Excise Act, 2001*, and the *Privacy Act*. Only employees who need taxpayer information to administer programs and legislation are given access to it. Taxpayers who feel their right to privacy and confidentiality has not been respected can file a complaint through the CRA's Service Complaint process (www.cra.gc.ca/complaints[xi]). Further recourse is available through the Privacy Commissioner of Canada.

The CRA's Chief Privacy Officer oversees privacy management and makes sure accountabilities, responsibilities, and activities related to privacy are reinforced and communicated across the CRA. All employees in all parts of the organization share the responsibility for managing privacy. Key goals and accountability for achieving them are assigned to specific areas within the CRA under the oversight of the Chief Privacy Officer. The goals and initiatives are linked to requirements of the Treasury Board Secretariat. The Chief Privacy Officer briefs senior management at least twice a year on the state of privacy management at the CRA.

The CRA historically ranks in the top three government departments for the number of access to information requests it receives and pages it processes. We received 5,539 requests and processed 1,942,868 pages in 2014-2015.

In its 2013 audit of the CRA's privacy management framework, the Office of the Privacy Commissioner recommended the CRA complete and approve privacy impact assessments before implementing any new program or initiative involving potential privacy risks to taxpayer information. In response, the CRA created a risk-based privacy impact assessment plan to align with its program alignment architecture. The plan, which is renewed and updated as necessary, now includes 40 assessments.

The CRA has developed a plan to enhance controls within the CRA's Access to Information and Privacy (ATIP) operations. Enhancements focus on three broad areas: operational processes, communications and training, and accountabilities. Many of these activities have already been implemented, including role-specific training and mandatory security training for ATIP employees, strengthened quality assurance, and additional protocols for processing a request. The CRA also initiated a third-party independent review of its access to information and privacy management frameworks which took place in the last quarter of 2014-2015. The findings were positive, and observations included: ATIP policies and procedures are up to date, well-communicated, and implemented; password policies are in place; the ATIP redaction system has a strong audit function; and there is a strong culture of communications, support, and coaching. Recommendations from the review build on these existing strengths and will be implemented over the next 12 to 24 months.

Budgetary financial information (dollars)
Human resources (full-time equivalent)

Program		2014-15 Main Estimates	2014-15 Total Authorities	2014-15 Planned[1]	2014-15 Actual[2]	2014-15 Difference (Planned minus Actual)
Internal Services	$	831,697,636	1,062,875,800	807,287,820	940,711,586	(133,423,766)[3]
	FTE			7,700	7,765	(65)

1 Planned spending excludes severance payments, parental benefits, vacation credits, the one-time transition payment for implementing the pay-in-arrears model, and the carry-forward of unused funds from 2013-2014 under the CRA's two-year spending authority. This funding is received during the fiscal year and is included only in actual spending.

2 Modified cash basis, based on Parliamentary appropriations used. See pages 104-105 for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

3 Increase primarily due to spending on major investment projects, workload transfers from other programs for information technology work, and initiatives announced as part of the 2014 federal budget.

Section 3
Supplementary information

Financial Statements Highlights

Condensed Statement of Operations (unaudited)
For the Year Ended March 31, 2015
(dollars)

Financial Information	2014-15 Planned results	2014-15 Actual	2013-14 Actual	Difference (2014-15 actual minus 2014-15 planned)	Difference (2014-15 actual minus 2013-14 actual)
Total expenses	4,622,265,000	4,607,492,897	4,562,082,581	(14,772,103)	45,410,316
Total revenues	489,581,000	480,619,960	493,500,773	(8,961,040)	(12,880,813)
Net cost of operations before government funding and transfers	4,132,684,000	4,126,872,937	4,068,581,808	(5,811,063)	58,291,129

The CRA's 2014-2015 net cost of operations before government funding and transfers amounted to $4,126.9 million, an increase of $58.3 million from the $4,068.6 million net cost of operations before government funding and transfers in 2013-2014.

Personnel expenses (salaries, other allowances and benefits), representing 74% of total expenses, are the CRA's primary costs, while the remaining 26% of expenses are comprised of other costs such as accommodation, information technology equipment and services.

The increase in personnel costs of $27.8 million is mostly attributable to economic salary increases and increments pursuant to collective agreement provisions and increases in employee severance benefit expenses; partly offset by a slight reduction in the workforce decreasing salary expenses and a decrease in the employer's portion of contributions to the Public Service pension plan.

Non-personnel expenses have increased by $17.6 million in 2014-2015. This variance mainly results from an increase in postage cost due to higher postage fees charged by Canada Post Corporation, new external storage and warehousing services for the administration of the CRA's records, and an increase in IT services; partly offset by a decrease in fit-up cost and decreased legal services.

Non-tax revenues slightly decreased in 2014-2015 as a result of a modification to the cost recovery approach employed by the CRA for the provision of services to Employment and Social Development Canada for the administration of the *Canada Pension Plan* and the *Employment Insurance Act*.

Condensed Statement of Financial Position (unaudited)
For the Year Ended March 31, 2015
(dollars)

Financial Information	2014-15	2013-14	Difference
Total liabilities	1,429,577,039	1,227,975,851	201,601,188
Total net financial assets	292,255,010	170,082,996	122,172,014
CRA net debt	1,137,322,029	1,057,892,855	79,429,174
Total non-financial assets	405,953,313	398,289,996	7,663,317
CRA net financial position	731,368,716	659,602,859	71,765,857

Liabilities have increased by $88.1M as a result of the implementation of the pay in arrears initiative in 2014-2015. An amount of $25.5M payable to Treasury Board Secretariat at year-end for the employer's portion of the employee benefit plans contributed to the increase in liabilities.

The increase in financial assets is correlated to specific increases in liabilities, as an account receivable is created for liabilities that are not settled at year-end, but for which appropriations were used. This account receivable, the Due from the Consolidated Revenue Fund represents the net amount of cash the CRA is entitled to draw from the Consolidated Revenue Fund which is administered by the Receiver General for Canada without using further appropriations to discharge its liabilities. The salary accrual resulting from the transition to pay in arrears as well as the account payable to Treasury Board Secretariat for employee benefit plans mostly contributed to the increase in financial assets.

Non-financial assets are comprised of 97% tangible capital assets. The CRA managed a capital budget of $123.4 million for the year 2014-2015 ($110.0 million for 2013-2014), of which a total of $47.1 million ($46.7 million for 2013-2014) remains available for use in future years in accordance with the CRA's multi-year resource management strategy.

Financial Statements

Statement of Management Responsibility Including Internal Control over Financial Reporting

We have prepared the accompanying financial statements of the Canada Revenue Agency (CRA) according to accounting principles consistent with those applied in preparing the financial statements of the Government of Canada. Significant accounting policies are set out in note 2 to the financial statements. Some of the information included in the financial statements, such as accruals and the allowance for doubtful accounts, is based on management's best estimates and judgment, with due consideration to materiality. The CRA's management is responsible for the integrity and objectivity of data in these financial statements. Financial information submitted to the Public Accounts of Canada, and included in the CRA's Annual Report, is consistent with these financial statements.

To fulfill its accounting and reporting responsibilities, management maintains sets of accounts which provide records of the CRA's financial transactions. Management also maintains financial management and an effective system of internal control over financial reporting (ICFR) that take into account costs, benefits, and risks. They are designed to provide reasonable assurance that transactions are within the authorities provided by Parliament, and by others such as provinces and territories, are executed in accordance with prescribed regulations and the *Financial Administration Act*, and are properly recorded to maintain the accountability of funds and safeguarding of assets.

Financial management and internal control systems are reinforced by the maintenance of internal audit programs. The CRA also seeks to assure the objectivity and integrity of data in its financial statements by the careful selection, training, and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, by communication programs aimed at ensuring that its regulations, policies, standards, and managerial authorities are understood throughout the organization, and by conducting an annual assessment of the effectiveness of its system of ICFR. An assessment for the year ended March 31, 2015 was completed in accordance with the Treasury Board Policy on Internal Control and the results and action plans are summarized in the annex.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments. The effectiveness and adequacy of the CRA's financial management and its system of internal control are reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the CRA's operations, and by the Board of Management which is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises this responsibility through the Audit Committee of the Board of Management. To assure objectivity and freedom from bias, these financial statements have been reviewed by the Audit Committee and approved by the Board of Management. The Audit Committee is independent of management and meets with management, the internal auditors, and the Auditor General of Canada on a regular basis. The auditors have full and free access to the Audit Committee.

The Auditor General of Canada conducts independent audits and expresses separate opinions on the accompanying financial statements which do not include an audit opinion on the annual assessment of the effectiveness of the CRA's internal controls over financial reporting.

Approved by:

Andrew Treusch
Commissioner of Revenue and
Chief Executive Officer of the
Canada Revenue Agency

Roch Huppé
Chief Financial Officer and
Assistant Commissioner,
Finance and Administration Branch

Ottawa, Ontario
August 28, 2015

Canada Revenue Agency
Financial Statements – Agency Activities

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITORS REPORT

To the Board of Management of the Canada Revenue Agency and the Minister of National Revenue

I have audited the accompanying financial statements of the Agency Activities of the Canada Revenue Agency, which comprise the statement of financial position as at 31 March 2015, and the statement of operations and agency net financial position, statement of change in agency net debt and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agency Activities of the Canada Revenue Agency as at 31 March 2015, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada

28 August 2015
Ottawa, Canada

Statement of Financial Position – Agency Activities
as at March 31
(in thousands of dollars)

	2015	2014
Liabilities		
Accrued salaries	267,026	129,589
Accounts payable and accrued liabilities (note 4)	120,595	94,901
Vacation pay and compensatory leave	188,444	189,672
Employee severance benefits (note 5e)	606,770	570,114
Employee sick leave benefits (note 5e)	246,742	243,700
Total liabilities	1,429,577	1,227,976
Financial assets		
Cash	-	54
Due from the Consolidated Revenue Fund	282,102	163,405
Accounts receivable and advances (note 6)	10,153	6,624
Total financial assets	292,255	170,083
Agency net debt	1,137,322	1,057,893
Non-financial assets		
Prepaid expenses	12,538	11,963
Tangible capital assets (note 7)	393,415	386,327
Total non-financial assets	405,953	398,290
Agency net financial position	**731,369**	**659,603**

Contingent liabilities (note 13)

The accompanying notes form an integral part of these financial statements.

Approved by:

Andrew Treusch
Commissioner of Revene and Chief Executive Officer
of the Canada Revenue Agency

August 28, 2015
Date

Richard Thorpe, CPA, CMA, FCMA
Director and Chair, Board of Management

August 28, 2015
Date

Statement of Operations and Agency Net Financial Position – Agency Activities
for the year ended March 31
(in thousands of dollars)

	2015 Planned results	2015 Actual results	2014 Actual results
Expenses (note 8)			
Reporting compliance	1,213,019	1,185,957	1,168,252
Internal services	1,172,499	1,155,630	1,131,630
Collections and returns compliance	710,967	740,480	727,397
Assessment of returns and payment processing	742,533	726,520	739,130
Taxpayer and business assistance	373,886	382,732	387,674
Appeals	255,985	264,331	255,706
Benefit programs	149,895	149,088	149,618
Taxpayers' Ombudsman	3,481	2,755	2,676
Total expenses	4,622,265	4,607,493	4,562,083
Non-tax revenues (note 9)			
Reporting compliance	33,595	26,096	20,994
Internal services	151,347	165,488	164,473
Collections and returns compliance	189,419	193,499	201,089
Assessment of returns and payment processing	60,395	56,442	59,692
Taxpayer and business assistance	61,375	61,126	63,882
Appeals	23,739	18,992	20,461
Benefit programs	36,245	23,671	25,916
Revenues earned on behalf of Government	(66,534)	(64,694)	(63,006)
Total non-tax revenues	489,581	480,620	493,501
Net cost of operations before government funding and transfers	4,132,684	4,126,873	4,068,582
Government funding and transfers			
Net cash provided by the Government of Canada	3,706,085	3,574,766	3,593,613
Change in due from the Consolidated Revenue Fund		118,697	31,402
Services provided without charge from other government agencies and departments (note 10)	423,084	449,754	430,409
Transfer of transition payments for implementing salary payments in arrears (note 11)		(88,104)	-
Net transfers of tangible capital assets to other government departments (OGD)		(6)	(5,669)
Net cost of activities administered on behalf of Shared Services Canada		-	(5,975)
Total government funding and transfers	4,129,169	4,055,107	4,043,780
Net cost of operations after government funding and transfers	3,515	71,766	24,802
Agency net financial position - Beginning of year		659,603	634,801
Agency net financial position – End of year		**731,369**	**659,603**

The accompanying notes form an integral part of these financial statements.

Statement of Change in Agency Net Debt – Agency Activities
for the year ended March 31
(in thousands of dollars)

	2015	2015	2014
	Planned results	Actual results	Actual results
Net cost (surplus) of operations after government funding and transfers	3,515	71,766	24,802
Change in tangible capital assets			
Acquisition of tangible capital assets (note 7)	87,016	91,855	77,493
Amortization of tangible capital assets (note 7)	(83,267)	(79,171)	(75,040)
Proceeds from disposal of tangible capital assets		(127)	(157)
Net loss on disposal/write-off of tangible capital assets	(7,369)	(5,463)	(2,079)
Net transfers of tangible capital assets to OGD		(6)	(5,669)
Total change in tangible capital assets	(3,620)	7,088	(5,452)
Change in prepaid expenses		575	1,613
Net increase (decrease) in agency net debt	(3,620)	79,429	20,963
Agency net debt – Beginning of year		1,057,893	1,036,930
Agency net debt – End of year		**1,137,322**	**1,057,893**

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows – Agency Activities
for the year ended March 31
(in thousands of dollars)

	2015	2014
Operating activities		
Net cost of operations before government funding and transfers	4,126,873	4,068,582
Items not affecting cash		
Amortization of tangible capital assets (note 7)	(79,171)	(75,040)
Net loss on disposal/write-off of tangible capital assets	(5,463)	(2,079)
Services provided without charge from other government agencies and departments (note 10)	(449,754)	(430,409)
Transition payments for implementing salary payments in arrears (note 11)	88,104	-
Change in financial assets other than due from the Consolidated Revenue Fund	3,475	(30,737)
Change in prepaid expenses	575	2,388
Change in accrued salaries	(137,437)	(45,043)
Change in accounts payable and accrued liabilities	(25,694)	23,565
Change in vacation pay and compensatory leave	1,228	(2,047)
Change in employee severance benefits	(36,656)	10,397
Change in employee sick leave benefits	(3,042)	(8,500)
Cash used in operating activities	3,483,038	3,511,077
Capital investing activities		
Acquisition of tangible capital assets (note 7)	91,855	77,493
Proceeds from disposal of tangible capital assets	(127)	(157)
Cash used in capital investing activities	91,728	77,336
Cash used in CRA operations	3,574,766	3,588,413
Cash used on behalf of Shared Services Canada for transferred activities	-	5,200
Net cash provided by the Government of Canada	**3,574,766**	**3,593,613**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements – Agency Activities

1. Authority and objectives

The Canada Revenue Agency (CRA) is an agent of Her Majesty in right of Canada under the *Canada Revenue Agency Act*. The CRA is a departmental corporation named in Schedule II of the *Financial Administration Act* and reports to Parliament through the Minister of National Revenue.

The mandate of the CRA is to support the administration and enforcement of tax legislation and other related legislation. The CRA provides support, advice, and services by:

(a) supporting the administration and enforcement of program legislation;

(b) implementing agreements between the Government of Canada or the CRA and the government of a province, territory or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;

(c) implementing agreements or arrangements between the CRA and departments or agencies of the Government of Canada to carry out an activity or administer a program; and

(d) implementing agreements between the Government of Canada and First Nations governments to administer a tax.

The CRA administers revenues, including income and sales taxes and employment insurance premiums, administers tax legislation, delivers a number of social benefit programs to Canadians for the federal, provincial, territorial, and First Nations governments, and administers other amounts, including Canada Pension Plan contributions, for other groups or organizations. It is responsible for administering and enforcing the following acts or parts of acts: the *Air Travellers Security Charge Act*, the *Canada Revenue Agency Act*, the *Children's Special Allowances Act*, Part V.1 of the *Customs Act*, section 2 of the *Energy Costs Assistance Measures Act*, the *Excise Act*, the *Excise Tax Act* (including the goods and services tax (GST) and the harmonized sales tax (HST) except for GST/HST on imported goods), the *Excise Act, 2001*, the *Income Tax Act*, the *Softwood Lumber Products Export Charge Act, 2006*, the *Universal Child Care Benefit Act*, and others including various provincial acts.

In delivering its mandate, the CRA operates under the following program activities:

(a) Reporting compliance: Verifies complete and accurate disclosure by taxpayers of all required information to establish tax liabilities;

(b) Internal services: Provides internal services across the CRA, such as human resources management, financial management and information technology, to support the needs of programs and corporate obligations;

(c) Collections and returns compliance: Identifies and addresses non-compliance with taxpayer filing and remittance requirements;

(d) Assessment of returns and payment processing: Processes and validates taxpayer returns; registers, establishes, and maintains taxpayer accounts; and, receives payments;

(e) Taxpayer and business assistance: Assists taxpayers in meeting their obligations under the self-assessment;

(f) Appeals: Provides a dispute resolution process for taxpayers who disagree with decisions taken by the CRA;

(g) Benefit programs: Provides Canadians certain income-based benefits, credits and other services on behalf of federal, provincial (except Québec), and territorial governments;

(h) Taxpayers' Ombudsman: Addresses requests for reviews made by taxpayers and benefit recipients with respect to service matters.

2. Summary of significant accounting policies

For financial reporting purposes, the CRA's activities have been divided into two sets of financial statements: agency activities and administered activities. The Financial Statements – Agency Activities include those operational revenues and expenses which are managed by the CRA and utilized in running the organization. The Financial Statements – Administered Activities include those revenues and expenses that are administered on behalf of the federal, provincial, and territorial governments, First Nations, and other organizations. The purpose of the distinction between agency and administered activities is to facilitate, among other things, the assessment of the administrative efficiency of the CRA in achieving its mandate. Tax-related assets, liabilities, revenues and expenses are excluded from these financial statements because they can only accrue to a government, not to the tax agency that administers those transactions.

As required by the *Canada Revenue Agency Act*, the Financial Statements – Agency Activities have been prepared using accounting principles consistent with those applied in the preparation of the financial statements of the Government of Canada. The accounting principles used are based on Canadian public sector accounting standards. A summary of significant accounting policies follows:

(a) Parliamentary appropriations

The CRA is financed by the Government of Canada through Parliamentary appropriations. Financial reporting of authorities provided to the CRA does not parallel financial reporting according to Canadian public sector accounting standards, as they are based in large part on cash flow requirements. Consequently, items recognized in the Statement of Financial Position and the Statement of Operations and Agency Net Financial Position may be different from those provided through appropriations from Parliament. Note 3(b) provides a high-level reconciliation between the two bases of reporting. The Future-oriented Statement of Operations – Agency Activities and its accompanying notes included in the *2014-2015 Report on Plans and Priorities* are the source of information for the planned results in the financial statements.

(b) Net cash provided by the Government of Canada

The CRA operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the CRA is deposited to the CRF and all cash disbursements made by the CRA are paid from the CRF. The net cash provided by government is the difference between all respendable cash receipts and all cash disbursements including transactions with departments and agencies.

(c) Expense recognition

Expenses are recognized when goods are received and/or services are rendered.

(d) Services provided without charge from other government agencies and departments

Estimates of the cost for services provided without charge from other government agencies and departments are recorded as expenses at their estimated cost.

(e) Revenue recognition

Non-tax revenues are recognized when the services are rendered by the CRA.

Non-tax revenues that are not available for spending cannot be used to discharge the CRA's liabilities. While management is expected to maintain accounting control, it has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the CRA's gross revenues.

(f) Vacation pay and compensatory leave

Vacation pay and compensatory leave expenses are accrued as the benefits are earned by the employees under their respective terms of employment. The liability for vacation pay and compensatory leave is calculated at the salary levels in effect at the end of the year for all unused vacation pay and compensatory leave benefits accruing to employees.

(g) Employee benefits

a) Pension benefits

All eligible CRA employees participate in the Public Service Pension Plan administered by the Government of Canada. The CRA's contributions reflect the full cost as employer. These amounts are currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the plan. The CRA's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the CRA. Current legislation does not require the CRA to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

b) Health and dental benefits

The Government of Canada sponsors employee benefit plans (health and dental) in which the CRA participates. Employees are entitled to health and dental benefits, as provided for under labour contracts and conditions of employment. The CRA's contributions to the plans, which are provided without charge by the Treasury Board Secretariat, are recorded at cost based on a percentage of the salary expenses and charged to personnel expenses in the year incurred. They represent the CRA's total obligation to the plans. Current legislation does not require the CRA to make contributions for any future unfunded liabilities of the plans.

c) Severance benefits

Some employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. These benefits represent an obligation of the CRA that entails settlement by future payments. The liability resulting from the benefits earned by CRA employees is calculated using information from an actuarial valuation based on the projected benefit method prorated on services. Changes in actuarial assumptions and any variance between the expected and the actual experience of the severance benefits plan give rise to actuarial gains or losses. These gains or losses are amortized on a straight-line basis over the expected average remaining service life of the employees starting in the fiscal year following the one in which they arose.

d) Sick leave benefits

Employees are eligible to accumulate sick leave benefits until retirement or termination according to their terms of employment. Sick leave benefits are earned based on employee services rendered and are paid upon an illness or injury related absence. These are accumulating non-vesting benefits that can be carried forward to future years, but are not eligible for payment on retirement or termination, nor can these be used for any other purpose. A liability is recorded for unused sick leave credits expected to be used in future years in excess of future allotments, based on an actuarial valuation using an accrued benefit method. Changes in actuarial assumptions and any variance between the expected and the actual experience of the sick leave benefits plan give rise to actuarial gains or losses. These gains or losses are amortized on a straight-line basis over the expected average remaining service life of the employees starting in the fiscal year following the one in which they arose.

(h) Due from the Consolidated Revenue Fund (CRF)

Amounts due from the CRF are the result of timing differences between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the CRA is entitled to draw from the CRF without further authorities to discharge its liabilities.

(i) Accounts receivable and advances

Accounts receivable and advances are stated at the lower of cost and net recoverable value. An allowance for doubtful accounts is recorded where recovery is considered uncertain.

(j) Tangible capital assets

All initial costs of $10,000 or more incurred by the CRA to acquire or develop tangible capital assets are capitalized and amortized over the useful lives of the assets. Similar items under $10,000 are expensed.

Tangible capital assets are amortized on a straight-line basis over the estimated useful lives of assets as follows:

Asset class	Useful life
Machinery, equipment, and furniture	10 years
In-house developed software	5-10 years
Vehicles and other means of transportation	5 years
Information technology equipment	5 years
Purchased software	3 years

Assets under construction/development are recorded as costs are incurred and are not amortized until completed and put into operation.

(k) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable, the CRA's best estimate of the contingency is disclosed in the notes to the financial statements.

(l) Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollars by applying the exchange rate in effect at the time of those transactions. Realized foreign exchange gains and losses resulting from foreign currency transactions are included in the other services and expenses category in note 8 – Segmented information – Expenses.

(m) Financial instruments

The CRA uses non-derivative financial instruments in the course of its operations. Those financial instruments gave rise to the following financial assets and financial liabilities that are measured at cost or amortized cost, as per the table below.

Financial assets and financial liabilities	Measurement
Cash	Cost
Accounts receivable and advances	Amortized cost
Accrued salaries	Cost
Accounts payable and accrued liabilities	Cost
Vacation pay and compensatory leave	Cost

(n) Measurement uncertainty

The preparation of these financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of liabilities, assets, revenues, expenses and related disclosure reported on the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. Employee severance and sick leave benefits, contingent liabilities, the useful life of tangible capital assets and services provided without charge are the most significant items where estimates and assumptions are used. Actual results could differ significantly from the current estimates. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

3. Parliamentary appropriations

The CRA receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Financial Position and the Statement of Operations and Agency Net Financial Position in one year may be funded through Parliamentary appropriations in prior, current, or future years. Accordingly, the CRA has different net results of operations for the year on a government funding basis than on an accrual accounting basis. These differences are reconciled below.

a)Reconciliation of Parliamentary appropriations provided and used:

	2015	2014
	(in thousands of dollars)	
Parliamentary appropriations — provided:		
Vote 1 – Operating expenditures, contributions and recoverable expenses on behalf of the *Canada Pension Plan* and the *Employment Insurance Act*	3,391,870	3,392,504
Vote 5 – Capital expenditures	123,414	110,012
Spending of revenues received through the conduct of operations pursuant to section 60 of the *Canada Revenue Agency Act*	166,085	164,016
Spending of proceeds from disposal of surplus Crown assets	174	222
Statutory expenditures:		
Contributions to employee benefit plans	447,675	458,805
Disbursements to provinces under the *Softwood Lumber Products Export Charge Act, 2006*[1]	(15,119)	42,345
Children's special allowance payments[1]	214,761	235,403
Other	3,536	1,267
	4,332,396	4,404,574
Less:		
Appropriations available for future year[2]:		
Vote 1	(214,323)	(292,514)
Vote 5	(47,123)	(46,711)
Appropriations lapsed:		
Vote 1	(10,117)	(2,489)
Expenditures related to administered activities[1]	(199,672)	(277,750)
	(471,235)	(619,464)
Total Parliamentary appropriations used	**3,861,161**	**3,785,110**

1 **In accordance with the division of activities for financial reporting purposes outlined in note 2, the payments under the *Softwood Lumber Products Export Charge Act, 2006* and the *Children's Special Allowances Act* are reported as federal administered expenses on the Statement of Administered Expenses and Recoveries of the CRA's Financial Statements – Administered Activities.**

2 **Pursuant to section 60(1) of the *Canada Revenue Agency Act*, the balance of money appropriated by Parliament for the use of the CRA that remains unexpended at the end of the fiscal year lapses at the end of the following fiscal year.**

b)Reconciliation of net cost of operations before government funding and transfers to current year Parliamentary appropriations used:

	2015	2014
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	4,126,873	4,068,582
Expenses not requiring use of current year appropriations:		
Amortization of tangible capital assets (note 7)	(79,171)	(75,040)
Adjustment to prior years' accruals	1,871	2,277
Loss on disposal/write-off of tangible capital assets	(5,584)	(2,204)
Services provided without charge from other government agencies and departments (note 10)	(449,754)	(430,409)
Other	(134)	11,547
	(532,772)	(493,829)
Changes to non financial assets affecting appropriations:		
Tangible capital assets acquisitions (note 7)	91,855	77,493
Less: Variation in prior years expenses capitalization	278	109
Variation in prepaid expenses	575	2,388
Transition payments for implementing salary payments in arrears (note 11)	88,104	-
	180,812	79,990
Changes in future funding requirements:		
Salary, vacation pay and compensatory leave	(39,130)	(34,467)
Employee severance benefits	(36,656)	10,398
Employee sick leave benefits	(3,042)	(8,500)
	(78,828)	(32,569)
Non-tax revenues available for spending (note 9)	165,076	162,936
Total Parliamentary appropriations used	**3,861,161**	**3,785,110**

4. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are measured at cost, the majority of which are due within 30 days of year-end.

	2015	2014
	(in thousands of dollars)	
Accounts payable and accrued liabilities – Related parties	56,630	33,453
Accounts payable and accrued liabilities – External	63,965	61,448
	120,595	**94,901**

5. Employee benefits

a) Pension benefits

The CRA and all eligible employees contribute to the public service pension plan (The "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the CRA and the employees contribute to the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to the *Jobs and Growth Act 2012*, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013.

Each group has a distinct contribution rate. The current year expense for the CRA's contributions for Group 1 members represents approximately 1.41 times (1.6 times in 2013-2014) the contributions by employees and, for Group 2 members, approximately 1.39 times (1.5 times in 2013-2014) the contributions of employees.

The contributions to the Plan for the year were as follows:

	2015	2014
	(in thousands of dollars)	
CRA's contributions	306,030	322,586
Employees' contributions	217,120	203,861

The CRA's responsibility with regard to this Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada.

b) Health and dental benefits

The CRA contributes for all eligible employees to the Public Service Health Care Plan and Public Service Dental Care Plan, which are sponsored by the Government of Canada. The CRA's responsibility with regard to these plans is limited to its contributions (refer to note 10).

c) Severance benefits

The CRA provides severance benefits to entitled employees based on eligibility, years of service and salary upon termination of employment. These severance benefits are unfunded. Benefits will be paid from future appropriations.

d) Sick leave benefits

Employees are credited, based on service, a maximum of 15 days annually for use as paid absences, due to illness or injury. Employees are allowed to accumulate unused sick leave credits each year. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick leave balance for sick-leave compensation ceases on termination of employment. These sick leave benefits are unfunded. They will be paid from future appropriations.

e) Valuation of benefits

Annually, as at March 31 of each year, the CRA obtains an actuarial valuation of the accrued employee severance and sick leave benefit obligations for accounting purposes.

Changes from the prior year in the actuarial value of these accrued employee benefit obligations that is used to determine the related employee benefits liabilities presented in the Statement of Financial Position as at March 31 were as follows:

	Severance benefits		Sick leave benefits	
	2015	2014	2015	2014
	(in thousands of dollars)			
Accrued employee benefits obligations, beginning of year	519,956	580,511	214,800	235,200
Benefits earned[1,2]	68,992	28,117	36,300	41,300
Interest on average accrued benefit obligations (note 8)	17,976	15,226	7,500	6,300
Benefits paid	(46,062)	(53,740)	(38,600)	(39,100)
Actuarial (gain)/loss	68,537	(50,158)	(5,400)	(28,900)
Accrued employee benefits obligations, end of year	629,399	519,956	214,600	214,800
Accumulated net actuarial gain/(loss)	(18,379)	50,158	34,300	28,900
Less: amortization on net actuarial gain[1]	4,250	-	2,158	-
Unamortized accumulated net actuarial gain/(loss)	(22,629)	50,158	32,142	28,900
Employee benefits liability	**606,770**	**570,114**	**246,742**	**243,700**

1 These expenses represent the severance and sick leave benefits that are included in the Other allowances and benefits category in note 8.

2 The severance benefits earned disclosed for the year ended March 31, 2015 include an adjustment of $44,391,764 to the benefits earned as a result of improvements to the underlying data.

f) Actuarial assumptions

Actuarial assumptions are used to determine the severance and sick leave accrued benefit obligations and include estimates of the discount rate and yearly salary growth. These assumptions are reviewed at March 31 of each year and are based on management's best estimate. The actuarial valuation as at March 31, 2015 for both severance and sick leave benefit obligations used a discount rate of 2.4% and salary growth of 2.0% - 2.6% (3.53% and 2.0% - 2.6% respectively as at March 31, 2014). The expected average remaining service life is 13.3 years for sick leave benefits and 11.8 years for severance benefits as at March 31, 2015 (13.4 years and 11.8 years respectively as at March 31, 2014).

g) Sensitivity Analysis

Changes in assumptions can result in significantly higher or lower estimates of the accrued employee benefits obligations. The table below illustrates the possible impact of a 1% change in the principal actuarial assumptions being the discount rate and the salary growth rate.

	Severance benefits		Sick leave benefits	
	2015	2014	2015	2014
	(in thousands of dollars)			
Possible impact on the accrued employee benefits obligations due to:				
Increase of 1% in discount rate	(53,281)	(40,385)	(12,700)	(11,200)
Decrease of 1% in discount rate	62,575	47,004	14,400	12,300
Increase of 1% in salary growth	61,908	47,092	18,600	12,700
Decrease of 1% in salary growth	(53,755)	(41,187)	(16,700)	(11,800)

6. Accounts receivable and advances

	2015	2014
	(in thousands of dollars)	
Accounts receivable – Related parties	6,842	2,622
Accounts receivable – External	898	562
Advances to employees	589	1,454
Salary overpayments	2,330	2,773
	10,759	7,411
Less: Allowance for doubtful accounts	(606)	(787)
Total accounts receivable and advances	**10,153**	**6,624**

Tangible capital asset class	Cost				
	Opening balance	Acquisitions	Disposals and adjustments	Transfers to OGD	Closing balance
	(in thousands of dollars)				
Machinery, equipment and furniture	7,446	204	(681)	(38)	6,931
Software (purchased and in-house developed and/or in development)	836,999	91,135	(8,768)	(294)	919,072
Vehicles and other means of transportation	1,996	286	(482)	-	1,800
Information technology equipment	6,760	230	(384)	-	6,606
Total	**853,201**	**91,855**	**(10,315)**	**(332)**	**934,409**

Tangible capital asset class	Accumulated amortization				
	Opening balance	Amortization expense	Disposals and adjustments	Transfers to OGD	Closing balance
	(in thousands of dollars)				
Machinery, equipment and furniture	4,407	500	(583)	(33)	4,291
Software (purchased and in-house developed and/or in development)	454,959	78,205	(3,269)	(293)	529,602
Vehicles and other means of transportation	1,277	275	(477)	-	1,075
Information technology equipment	6,231	191	(396)	-	6,026
Total	**466,874**	**79,171**	**(4,725)**	**(326)**	**540,994**

Tangible capital asset class	2015 Net book value	2014 Net book value
	(in thousands of dollars)	
Machinery, equipment and furniture	2,640	3,039
Software (purchased and in-house developed and/or in development)	389,470	382,040
Vehicles and other means of transportation	725	719
Information technology equipment	580	529
Total	**393,415**	**386,327**

The cost of software in development, which is not amortized, is $89,657,175 as at March 31, 2015 ($80,843,958 as at March 31, 2014).

8 Segmented information – Expenses

Presentation by segment is based on the CRA's program activity as described in note 1 of these financial statements. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred for the main program activities, by major object of expense. The segment results for the period are as follows:

	Reporting compliance	Internal services	Collections and returns compliance	Assessment of returns and payment processing	Taxpayer and business assistance	Appeals	Benefit programs	Taxpayers' Ombudsman	2015	2014
									(in thousands of dollars)	
Personnel:										
Salaries	726,243	512,480	432,276	319,356	236,697	120,245	71,421	1,462	2,420,180	2,408,276
Other allowances and benefits (including employee benefits described in note 5)	304,465	212,190	177,984	128,442	93,693	49,290	28,729	832	995,625	979,750
	1,030,708	724,670	610,260	447,798	330,390	169,535	100,150	2,294	3,415,805	3,388,026
Professional and business services	18,894	246,256	24,286	4,652	4,350	70,030	1,438	131	370,037	372,352
Accommodation	86,192	79,655	64,506	38,965	36,483	16,590	8,723	211	331,325	349,810
Federal sales tax administration costs by the Province of Québec	-	-	-	142,133	-	-	-	-	142,133	142,772
Transportation and communications	16,946	23,968	11,730	50,737	3,038	720	18,842	6	125,987	115,408
Amortization of tangible capital assets (note 7)	13,257	10,994	18,831	25,499	3,010	1,383	6,197	-	79,171	75,040
Other services and expenses	5,497	13,528	3,307	2,931	1,163	4,012	12,128	7	42,573	28,726
Interest on average accrued benefit obligations (note 5)	7,687	5,405	4,552	3,340	2,464	1,264	747	17	25,476	21,526
Repair and maintenance	231	20,278	29	759	48	6	7	-	21,358	17,102
Materials and supplies	2,657	7,281	1,238	6,632	633	492	289	7	19,229	20,094
Equipment purchases	3,200	11,202	1,360	1,542	672	179	526	66	18,747	17,056
Advertising, information and printing services	113	6,730	61	452	335	5	3	11	7,710	8,805
Loss on disposal/write-off of tangible capital assets	5	4,826	-	753	-	-	-	-	5,584	2,204
Equipment rentals	570	837	320	327	146	115	38	5	2,358	3,162
Total expenses	**1,185,957**	**1,155,630**	**740,480**	**726,520**	**382,732**	**264,331**	**149,088**	**2,755**	**4,607,493**	**4,562,083**

9 Segmented information- Non-tax revenues

Presentation by segment is based on the CRA's program activity as described in note 1 of these financial statements. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the non-tax revenues generated for the main program activities, by major type of non-tax revenues. The segment results for the period are as follows:

	Reporting compliance	Internal services	Collections and returns compliance	Assessment of returns and payment processing	Taxpayer and business assistance	Appeals	Benefit programs	2015	2014
								(in thousands of dollars)	
Non-tax revenues credited to Vote 1									
Fees for administering the *Employment Insurance Act*	-	29,812	87,242	16,200	31,394	9,141	530	174,319	182,794
Fees for administering the *Canada Pension Plan*	-	27,183	74,634	17,366	18,050	3,992	-	141,225	147,771
	-	56,995	161,876	33,566	49,444	13,133	530	315,544	330,565
Non-tax revenues available for spending									
Services fees	715	49,739	120	2,648	262	-	706	54,190	56,496
Administration fees – provinces and territories	21,321	45,114	4,277	13,111	1,067	2,962	20,572	108,424	104,115
Miscellaneous respendable revenues	646	14	-	9	1,759	-	34	2,462	2,325
	22,682	94,867	4,397	15,768	3,088	2,962	21,312	165,076	162,936
Non-tax revenues not available for spending									
Recovery of employee benefit costs relating to non-tax revenues credited to Vote 1 and revenues available for spending	3,414	13,298	27,226	7,108	8,594	2,456	1,829	63,925	61,834
Miscellaneous non-tax revenues	-	328	-	-	-	441	-	769	1,172
	3,414	13,626	27,226	7,108	8,594	2,897	1,829	64,694	63,006
Total non-tax revenues before revenues earned on behalf of Government	26,096	165,488	193,499	56,442	61,126	18,992	23,671	545,314	556,507
Revenues earned on behalf of Government	(3,414)	(13,626)	(27,226)	(7,108)	(8,594)	(2,897)	(1,829)	(64,694)	(63,006)
Total non-tax revenues	**22,682**	**151,862**	**166,273**	**49,334**	**52,532**	**16,095**	**21,842**	**480,620**	**493,501**

10. Related party transactions

The CRA is related in terms of common ownership to all Government of Canada departments, agencies, and Crown corporations. Transactions with Crown corporations entered into by the CRA are in the normal course of business and on normal trade terms applicable to all individuals and enterprises. Transactions with other Government of Canada departments and agencies are conducted on a cost recovery basis, except for transfers of tangible capital assets that are carried out at net book value.

During the year, the CRA received various services without charge from other government agencies and departments. The estimated costs for significant services provided without charge that have been recorded include:

	2015	2014
	(in thousands of dollars)	
Employer's contribution to the health and dental insurance plans – Treasury Board Secretariat	228,066	208,083
Information technology services –Shared Services Canada	179,474	175,502
Legal services – Justice Canada	33,702	38,168
Audit services – Office of the Auditor General of Canada	2,594	2,662
Payroll services – Public Works and Government Services Canada	4,563	4,553
Workers' compensation benefits – Employment and Social Development Canada	1,355	1,441
Total	**449,754**	**430,409**

11. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014-15. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of the CRA. However, it did result in the use of additional spending authorities by the CRA. Prior to year end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Works and Government Services Canada, who is responsible for the administration of the Government pay system.

12. Board of Management

Pursuant to the *Canada Revenue Agency Act*, a Board of Management is appointed to oversee the organization and administration of the CRA and the management of its resources, services, property, personnel and contracts. The expenses relating to the board's activities for the year included in the net cost of operations were as follows:

	2015	2014
	(in thousands of dollars)	
Board of Management		
Compensation	267	290
Travel	77	77
Professional services and other expenses	78	81
	422	448
Other related costs		
Corporate Secretariat support	596	650
Total	**1,018**	**1,098**

13. Contingent liabilities

The CRA is a defendant in certain cases of pending and threatened litigation which arises in the normal course of business of agency activities as defined in note 2. The amount to be paid in respect of the cases identified as likely to be lost has been recorded in accounts payable and accrued liabilities, based on the current best estimate of the consideration required to settle the present liabilities at the end of the reporting period, taking into account the risks and uncertainties surrounding the liabilities. All other cases, excluding those assessed as unlikely to be lost, are considered contingent liabilities and the related amounts are disclosed whenever the amount of the contingency can be reasonably estimated. As at March 31, 2015, contingent liabilities for claims and pending and threatened litigation have been estimated at $10,592,354 ($11,481,104 as at March 31, 2014) which is based on management's best estimate determined on a case by case basis.

14. Financial risk management

The CRA uses non-derivative financial instruments in the course of its operations that give rise to financial assets and financial liabilities. Those financial liabilities comprise accrued salaries, accounts payable and accrued liabilities, vacation pay and compensatory leave. Cash, accounts receivables and advances represent those financial assets.

The CRA is exposed to credit risk, liquidity risk and market risk in connection with its financial instruments.

The credit risk is the risk that another party owing money to the CRA would fail to discharge its obligation creating a financial loss for the CRA. The maximum exposure of the CRA to the credit risk amounted to $10,152,549 as of March 31, 2015 ($6,624,223 as of March 31, 2014), which is equal to the carrying value of its accounts receivable and advances. As the vast majority of the CRA's accounts receivable and advances are either with other government departments or employees, the credit risk is low.

The liquidity risk is the risk that the CRA would encounter difficulty in meeting its obligations associated with its financial liabilities. The CRA's liquidity risk is minimal given that the CRA receives most of its funding through annual Parliamentary appropriations and maintains strong controls over expenditure management.

The market risk is defined as the risk that future cash flows of a financial instrument would fluctuate because of changes in currency rates, interest rates and/or other rates. The CRA's exposure to market risk is limited to fluctuations in the currency rates and the impact of such variations on CRA's cash flows is negligible as its financial transactions in foreign currency are immaterial.

The CRA's exposure to these risks and the policies and processes to manage and measure them did not change significantly from the prior year.

15. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

Financial Statements Discussion and Analysis – Agency Activities (unaudited)

Introduction

This section of the financial statements provides unaudited complementary information on Agency Activities, on an accrual basis, in respect of matters reported in the audited financial statements. The Canada Revenue Agency's (CRA) management is responsible for the preparation of this financial statements discussion and analysis.

Capacity to deliver services

The CRA's workforce of more than 40,000 employees is fundamental to the achievement of its mandate. In fiscal year 2014-2015, this workforce was comprised of 79% permanent employees, 19% term employees, and 2% students.

CRA employees are located throughout Canada, in the following operational regions: Ontario (31%), Headquarters (24%), Prairies (13%), Québec (12%), Pacific (11%), and Atlantic (9%). They provide services to taxpayers in more than 30 tax services offices and tax centers, as well as program services and internal services supporting those programs.

The CRA's information technology (IT) capacity is also critical to its ability to deliver services to Canadians. It involves an extensive IT infrastructure that is managed primarily by Shared Services Canada, and includes the development and maintenance of applications across a distributed computing environment.

Risk management

The CRA recognizes that a variety of risks could have potential implications on its financial position and operations. The Enterprise Risk Management (ERM) Division of the Audit, Evaluation, and Risk Branch plays a key role in ensuring that corporate risks are identified, impacts are assessed, and strategies for risk management are adopted, notably by producing the CRA Risk Profile.

Further details on ERM at the CRA are discussed in this report. This financial statements discussion and analysis will elaborate on specific financial risks throughout its content, where applicable.

Financial highlights

Two developments have significantly influenced the 2014-2015 results in the financial statements.

Pay in arrears

As per the transformation of pay administration, the Government of Canada is working towards modernizing its pay solution and streamlining business processes. In doing so, it will adopt industry standard payroll practices, which align with the Government's agenda to modernize its common services and improve pay services to employees. In order to adapt its processes, the Government of Canada has implemented the payment in arrears initiative in 2014-2015 for all employees paid on a bi-weekly basis. In May 2014, a one-time transition payment was issued to employees who were paid every two weeks on a current basis. The payment was made to avoid any financial hardship to employees as the Government transitions to payment in arrears.

Prior to the transition, employees' pay was calculated and processed in advance of the work being performed in order for payment to be made on the last working day of the two-week period. Now, employees are paid for the period worked ending two weeks prior to the issuance of payment. This allowed pay services to employees to improve through timelier processing of changes in their pay resulting in a reduction in the number of adjustments to an employee's pay on subsequent payments, increased transparency, and predictability in earnings.

CRA resource management

The CRA has managed within the Parliamentary approved authorities for 2014-2015, with underspending of $261.4 million or 6.0%, while complying with the budget restrictions. This amount largely planned and available for use in 2015-2016, is a crucial element of the current Resource Management Strategy to address known and emerging financial challenges.

For 2014-2015, the delays in the ratification of collective agreements required the establishment of a provision for retroactive payments, which is a significant component of the CRA's net position. Another important component is the internally funded strategic investment plan. Major IT projects can face challenges due to the long-term and complex nature of these projects.

As part of its resource management strategy, the CRA continuously reviews and revises plans and priorities to ensure the effective and efficient use of government resources and the achievement of its core business outcomes. In 2014-2015, the majority of key performance targets were met or exceeded.

Discussion and analysis

Net cost of operations before government funding and transfers

The CRA's 2014-2015 net cost of operations before government funding and transfers amounted to $4,126.9 million, an increase of $58.3 million from the $4,068.6 million net cost of operations before government funding and transfers in 2013-2014.

Details of the net cost of operations before government funding and transfers are illustrated below (see note 8 of the Financial Statements – Agency Activities for a further breakdown of expenses by category):

Figure 1: Details on the net cost of operations before government funding and transfers

	2015	2014	Difference
	(in thousands of dollars)		
Personnel	3,415,805	3,388,026	27,779
Accommodation	331,325	349,810	(18,485)
IT equipment and services	346,262	325,059	21,203
Transportation	124,081	113,729	10,351
Professional and business services excluding IT	140,175	149,304	(9,129)
Federal sales tax administration costs - Province of Québec	142,133	142,772	(639)
Other	107,713	93,383	14,329
Total expenses	**4,607,493**	**4,562,083**	**45,409**
Less: Non-tax revenues	480,620	493,501	(12,881)
Net cost of operations before government funding and transfers	**4,126,873**	**4,068,582**	**58,290**

Comparative figures have been reclassified with the current year presentation.

Personnel expenses (salaries, other allowances and benefits), representing 74% of total expenses, are the CRA's primary costs, while the remaining 26% of expenses are comprised of other costs such as accommodation, information technology equipment and services.

The increase in personnel costs of $27.8 million is mostly attributable to economic salary increases and increments pursuant to collective agreement provisions and increases in employee severance benefit expenses; partly offset by a slight reduction in the workforce decreasing salary expenses and a decrease in the employer's portion of contributions to the Public Service pension plan.

Non-personnel expenses have increased by $17.6 million in 2014-2015. This variance mainly results from an increase in postage cost due to higher postage fees charged by Canada Post Corporation, new external storage and warehousing services for the administration of the CRA's records, and an increase in IT services; partly offset by a decrease in fit-up cost and decreased legal services.

Non-tax revenues slightly decreased in 2014-2015 as a result of a modification to the cost recovery approach employed by the CRA for the provision of services to Employment and Social Development Canada (ESDC) for the administration of the *Canada Pension Plan* and the *Employment Insurance Act*.

Financial position

The change in the Agency's net financial position compared to the previous year is as follows:

Figure 2: Statement of Financial Position

	2015	2014	Difference
	(in thousands of dollars)		
Liabilities	1,429,577	1,227,976	201,601
Financial assets	292,255	170,083	122,172
Agency net debt	1,137,322	1,057,893	79,429
Non-financial assets	405,953	398,290	7,663
Agency net financial position	**731,369**	**659,603**	**71,766**

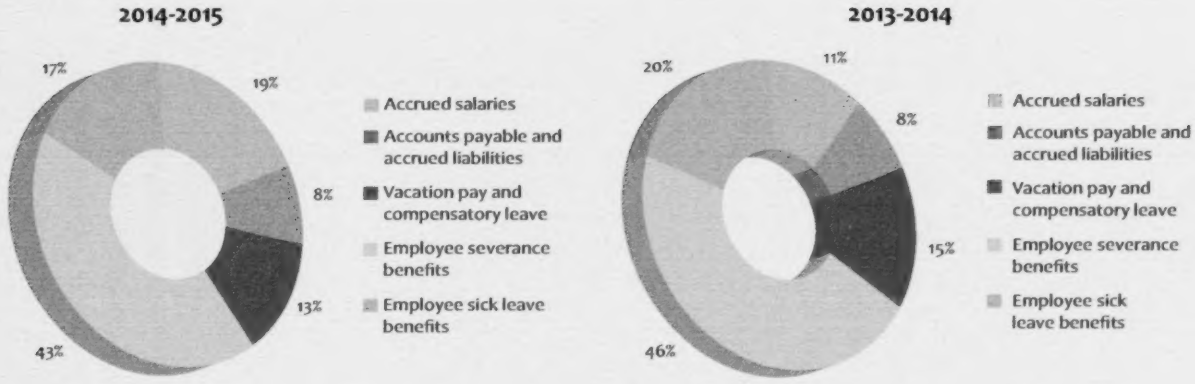
Liabilities

Liabilities have increased by $88.1M as a result of the implementation of the pay in arrears initiative in 2014-2015. An amount of $25.5M payable to Treasury Board Secretariat (TBS) at year-end for the employer's portion of the employee benefit plans contributed to the increase in liabilities.

Employee benefits represent a significant component of the CRA liabilities. They include obligations for severance and sick leave benefits as well as vacation pay and compensatory leave accrual.

Employee severance benefits remain the CRA's most important obligation as illustrated in the table below.

Figure 3: Liabilities by category



Employee sick leave and severance benefits account for 60% of the CRA total liabilities in 2014-2015. These are significant liabilities that require the use of management estimates and assumptions to determine their present value as at March 31 of each year. As such, there is a financial risk of imprecision in the financial position of the CRA where actual liabilities and the related expenses may differ significantly from current estimates. To minimize this risk, the CRA uses the expertise of the Office of the Chief Actuary, who provides an actuarial valuation report on a yearly basis, discussing the actuarial assumptions and method used to determine the actuarial present value of those employee benefits. Actuarial assumptions used by the CRA are consistent with those used by the Government of Canada.

While the employee severance benefit obligation increased in 2014-2015 as a result of benefits earned by employees, its proportion as part of the total CRA liabilities decreased in light of the additional accrued salaries arising from the implementation of pay in arrears.

Financial assets

The increase in financial assets is correlated to specific increases in liabilities, as an account receivable is created for liabilities that are not settled at year-end, but for which appropriations were used. This account receivable, the Due from the Consolidated Revenue Fund (CRF) represents the net amount of cash that the CRA is entitled to draw from the CRF that is administered by the Receiver General for Canada without using further appropriations to discharge its liabilities. The salary accrual resulting from the transition to pay in arrears as well as the account payable to TBS for employee benefit plans mostly contributed to the increase in financial assets.

Non-financial assets

Non-financial assets are comprised of 97% tangible capital assets. The CRA managed a capital budget of $123.4 million for the year 2014-2015 ($110.0 million for 2013-2014), of which a total of $47.1 million ($46.7 million for 2013-2014) remains available for use in future years in accordance with the CRA's multi-year resource management strategy.

The net book value of tangible capital assets remained fairly stable in 2014-2015 with a net increase of $7.1 million. The vast majority of tangible capital assets owned by the CRA relates to IT, specifically in-house developed software. As a large organization responsible for delivering an extensive range of tax and benefits programs on behalf of the federal and of provincial governments, the CRA has specialized software needs that are primarily fulfilled internally through the development of in-house tailored applications by the CRA employees.

To prioritize investment decisions regarding in-house developed software and support the effective management of resources, the CRA Finance Committee (FC) oversees investment projects above $1 million. All projects brought to the FC require a formal attestation from the ERM Division that the CRA risk management process was followed and that sound risk information forms part of the submission. The attestation process takes place at various project development stages. Enterprise risk information is also used to inform the development of the CRA Strategic Investment Plan, a long-term plan of significant future investments. Alignment with the priorities outlined in the CRA Risk Profile is one of the considerations used to inform the priority ranking of initiatives.

Five year comparative financial information

The following tables provide a five year comparison of financial information based on the accounting policies described in note 2 to the audited financial statements.

Figure 4: Statement of Financial position

	2011	2012	2013	2014	2015
	(in thousands of dollars)				
Liabilities					
Accrued salaries	56,568	78,257	84,546	129,589	267,026
Accounts payable and accrued liabilities	184,086	152,187	118,466	94,901	120,595
Lease obligations for tangible capital assets	13,304	-	-	-	-
Vacation pay and compensatory leave	180,775	182,977	187,625	189,672	188,444
Employee severance benefits	633,270	732,313	580,511	570,114	606,770
Employee sick leave benefits	-	234,700	235,200	243,700	246,742
Total liabilities	1,068,003	1,380,434	1,206,348	1,227,976	1,429,577
Financial assets					
Cash	84	77	67	54	-
Due from the Consolidated Revenue Fund	223,385	175,851	132,003	163,405	282,102
Accounts receivable and advances	7,737	8,382	37,348	6,624	10,153
Total financial assets	231,206	184,310	169,418	170,083	292,255
Agency net debt	836,797	1,196,124	1,036,930	1,057,893	1,137,322
Non-financial assets					
Prepaid expenses	21,940	12,953	10,350	11,963	12,538
Tangible capital assets	539,471	403,936	391,779	386,327	393,415
Total non-financial assets	561,411	416,889	402,129	398,290	405,953
Agency net financial position	275,386	779,235	634,801	659,603	731,369

Comparative figures have been reclassified with the current year presentation.

Figure 5: Segmented information – Expenses

	2011	2012	2013	2014	2015
	(in thousands of dollars)				
Personnel:					
Salaries	2,331,814	2,360,040	2,381,913	2,408,276	2,420,180
Other allowances and benefits	1,077,517	1,184,690	979,491	979,750	995,625
	3,409,331	3,544,730	3,361,404	3,388,026	3,415,805
Professional and business services	204,313	259,437	368,636	372,352	370,037
Accommodation	327,413	344,894	348,320	349,810	331,325
Federal sales tax administration costs by the Province of Québec	142,179	141,067	142,222	142,772	142,133
Transportation and communications	194,861	160,653	126,048	115,408	125,987
Amortization of tangible capital assets	94,564	94,770	70,131	75,040	79,171
Other services and expenses	39,896	47,102	39,120	28,726	42,573
Interest on average accrued benefit obligations	-	-	24,749	21,526	25,476
Repair and maintenance	94,849	68,769	30,274	17,102	21,358
Materials and supplies	30,557	26,319	23,951	20,094	19,229
Equipment purchases	45,821	63,924	25,788	17,056	18,747
Advertising, information and printing services	10,775	8,836	8,815	8,805	7,710
Loss on disposal/write-off of tangible capital assets	6,699	19,929	2,789	2,204	5,584
Equipment rentals	4,322	3,611	2,755	3,162	2,358
Total expenses	**4,605,580**	**4,784,041**	**4,575,002**	**4,562,083**	**4,607,493**

Comparative figures have been reclassified with the current year presentation.

Figure 6: Segmented information – Non-tax revenue

	2011	2012	2013	2014	2015
	(in thousands of dollars)				
Non-tax revenues credited to Vote 1					
Fees for administering the *Employment Insurance Act*	171,287	176,355	182,573	182,794	174,319
Fees for administering the *Canada Pension Plan*	135,688	138,828	147,718	147,771	141,225
	306,975	315,183	330,291	330,565	315,544
Non-tax revenues available for spending					
Services fees	153,234	138,698	61,214	56,496	54,190
Administration fees - provinces and territories	87,995	103,315	102,539	104,115	108,424
Miscellaneous respendable revenues	2,403	2,444	2,701	2,325	2,462
	243,632	244,457	166,454	162,936	165,076
Non-tax revenues not available for spending					
Recovery of employee benefit costs relating to non-tax revenues credited to Vote 1 and revenues available for spending	57,986	61,242	60,717	61,834	63,925
Miscellaneous non-tax revenues	1,684	1,470	2,898	1,172	769
	59,670	62,712	63,615	63,006	64,694
Total non-tax revenues before revenues earned on behalf of Government	610,277	622,352	560,360	556,507	545,314
Revenues earned on behalf of Government	(59,670)	(62,712)	(63,615)	(63,006)	(64,694)
Total non-tax revenues	**550,607**	**559,640**	**496,745**	**493,501**	**480,620**

Comparative figures have been reclassified with the current year presentation.

Outlook

Looking ahead, the CRA will continue to modernize its services and compliance activities to improve the efficiency and effectiveness of its operations and programs while contributing to the Government of Canada's priorities. The CRA will continue to achieve further savings through various initiatives, including enhancing tax collection strategies and increasing internet filing for individual tax returns. In 2014-2015, MyCRA was launched, the first mobile application for individuals of its kind in Canada.

As announced in the 2015 federal budget, the Government will invest an additional $200 million over the next five years to strengthen the CRA's capacity to combat the underground economy, international tax evasion, and aggressive tax avoidance. Finally, as per Blueprint 2020, the CRA's strategic direction will be concentrated on five elements: service, compliance, integrity and security, innovation, and people.

Canada Revenue Agency
Financial Statements – Administered Activities

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITORS REPORT

To the Board of Management of the Canada Revenue Agency and the Minister of National Revenue

I have audited the accompanying statement of administered assets and liabilities of the Canada Revenue Agency as at 31 March 2015, and the statement of administered revenues and pension contributions, statement of administered expenses and recoveries and statement of administered cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (together "the financial information"). The financial information has been prepared by management using the basis of accounting described in Note 2.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this financial information in accordance with the basis of accounting described in Note 2; this includes determining that the basis of accounting is an acceptable basis for the preparation of the financial information in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial information based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial information presents fairly, in all material respects, the administered assets and liabilities of the Canada Revenue Agency as at 31 March 2015, and the results of its administered operations and its administered cash flows for the year then ended in accordance with the basis of accounting described in Note 2.

Emphasis of Matter

Without modifying my opinion, I draw attention to Note 2 to the financial information, which describes the purpose and basis of accounting for reporting activities administered by the Canada Revenue Agency on behalf of others. This financial information may not be suitable for another purpose. Management prepares a separate set of financial statements to report the operational revenues and expenses of the Canada Revenue Agency.

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada

28 August 2015
Ottawa, Canada

Canada Revenue Agency
Statement of Administered Assets and Liabilities
as at March 31
(in thousands of dollars)

	2015	2014
Administered assets		
Cash on hand	7,397,817	7,489,261
Amounts receivable from taxpayers (note 3)	96,885,030	90,955,765
Amounts receivable under the tobacco civil settlements (note 4)	310,633	398,444
Total assets	**104,593,480**	**98,843,470**
Administered liabilities		
Amounts payable to taxpayers (note 5)	56,203,780	52,605,357
Amounts payable to provinces (note 6)	600,570	648,017
Deposit accounts (note 7)	178,508	162,330
	56,982,858	53,415,704
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others (note 8)	47,610,622	45,427,766
Total liabilities	**104,593,480**	**98,843,470**
Contingent liabilities (note 9)		

The accompanying notes form an integral part of these financial statements.

Approved by:

Andrew Treusch
Commissioner of Revenue and Chief Executive Officer
of the Canada Revenue Agency

August 28, 2015
Date

Richard Thorpe, CPA, CMA, FCMA
Director and Chair, Board of Management

August 28, 2015
Date

Canada Revenue Agency
Statement of Administered Revenues and Pension Contributions
for the year ended March 31
(in thousands of dollars)

	2015	2014
Federal administered revenues		
Income tax revenues		
Individuals and Trusts (note 10)	135,810,323	130,894,581
Corporations	39,446,519	36,587,157
Non-resident tax withholdings	6,216,306	6,404,440
	181,473,148	173,886,178
Other taxes, duties, and charges		
Goods and services tax (note 11)	10,310,612	11,493,496
Energy taxes	5,469,039	5,425,949
Other excise taxes and duties	3,530,554	3,359,545
Miscellaneous charges (note 12)	691,002	714,727
	20,001,207	20,993,717
Employment insurance premiums	22,962,274	22,160,249
Interest, penalties, and other revenues (note 13)	4,508,971	5,267,408
Revenues administered on behalf of the Government of Canada	**228,945,600**	**222,307,552**
Provincial and territorial governments and First Nations administered revenues		
Income tax revenues		
Individuals and Trusts	62,206,617	58,438,947
Corporations	15,869,127	13,424,320
	78,075,744	71,863,267
Provincial portion of harmonized sales tax (note 14)	23,515,772	22,224,003
Other revenues (note 15)	568,300	207,966
Revenues administered on behalf of provincial and territorial governments and First Nations	**102,159,816**	**94,295,236**
Pension contributions, interest, and penalties administered on behalf of the Canada Pension Plan (note 16)	**45,158,794**	**43,264,617**
Total administered revenues and pension contributions	**376,264,210**	**359,867,405**

The accompanying notes form an integral part of these financial statements.

Canada Revenue Agency
Statement of Administered Expenses and Recoveries
for the year ended March 31
(in thousands of dollars)

	2015	2014
Federal administered expenses		
Transfers to individuals		
Child tax benefits	10,372,188	10,401,573
Universal child care benefits	3,935,467	2,728,757
Working income tax benefit	1,257,805	1,231,341
Children's special allowances	214,761	235,403
Refundable medical expense supplement	142,496	139,497
	15,922,717	14,736,571
Transfers to corporations		
Refundable investment tax credit	1,392,292	1,389,776
Film and video tax credits	357,768	322,611
	1,750,060	1,712,387
Other federal expenses		
Provision for doubtful accounts (note 3)	3,861,357	3,722,605
Interest expense	388,469	280,936
Transfers to provinces for softwood lumber products export charge	(15,119)	42,345
	4,234,707	4,045,886
Total	**21,907,484**	**20,494,844**
Federal administered recoveries		
Old age security benefits	(1,449,945)	(1,342,851)
Employment insurance benefits	(235,234)	(212,474)
	(1,685,179)	**(1,555,325)**
Net expenses and recoveries administered for the Government of Canada	**20,222,305**	**18,939,519**
Provincial and territorial administered expenses		
Transfers to individuals		
Ontario energy and property tax credit	1,196,643	1,138,612
Family benefit programs	1,188,203	1,120,812
British Columbia low-income climate action tax credit	191,869	191,989
Ontario senior homeowners' property tax grant	232,893	179,585
Other property tax credits	121,184	129,953
Other transfers	398,527	342,426
	3,329,319	3,103,377
Transfers to corporations		
Refundable investment tax credits	852,539	818,318
Film and television production services tax credits	873,830	722,904
	1,726,369	1,541,222
Expenses administered for provinces and territories	**5,055,688**	**4,644,599**
Provision for doubtful accounts administered for the Canada Pension Plan (note 3)	**113,056**	**83,519**
Total net administered expenses and recoveries	**25,391,049**	**23,667,637**

The accompanying notes form an integral part of these financial statements.

Canada Revenue Agency
Statement of Administered Cash Flows
for the year ended March 31
(in thousands of dollars)

	2015	2014
Total administered revenues and pension contributions	376,264,210	359,867,405
Total net administered expenses and recoveries	(25,391,049)	(23,667,637)
Revenues paid or payable directly to a province	(520,648)	(162,582)
Changes in administered assets and liabilities:		
Cash on hand	91,444	(1,014,331)
Amounts receivable from taxpayers	(5,929,265)	(1,996,235)
Amounts receivable under the tobacco civil settlements	87,811	64,473
Amounts payable to taxpayers	3,598,423	(2,282,681)
Amounts payable to provinces	(47,447)	111,375
Deposit accounts	16,178	12,880
Net cash deposited in the Consolidated Revenue Fund of the Government of Canada (note 8)	**348,169,657**	**330,932,667**
Consisting of:		
Cash deposits to the Consolidated Revenue Fund	469,928,612	451,259,475
Cash refunds/payments from the Consolidated Revenue Fund	(121,758,955)	(120,326,808)
Net cash deposited in the Consolidated Revenue Fund of the Government of Canada (note 8)	**348,169,657**	**330,932,667**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements - Administered Activities

1. Authority and objectives

The Canada Revenue Agency (CRA) is an agent of Her Majesty in right of Canada under the *Canada Revenue Agency Act*. The CRA is a departmental corporation named in Schedule II of the *Financial Administration Act* and reports to Parliament through the Minister of National Revenue.

The mandate of the CRA is to support the administration and enforcement of tax legislation and other related legislation. The CRA provides support, advice and services by:

(a) supporting the administration and enforcement of the program legislation;

(b) implementing agreements between the Government of Canada or the CRA and the government of a province, territory, or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;

(c) implementing agreements or arrangements between the CRA and departments or agencies of the Government of Canada to carry out an activity or administer a program; and

(d) implementing agreements between the Government of Canada and First Nations governments to administer a tax.

The CRA administers revenues, including income and sales taxes and Employment insurance premiums, administers tax legislation, delivers a number of social benefit programs to Canadians for the federal, provincial, territorial, and First Nations governments, and administers other amounts, including Canada Pension Plan contributions, for other groups or organizations. It is responsible for administering and enforcing the following acts or parts of acts: the *Air Travellers Security Charge Act*, the *Canada Revenue Agency Act*, the *Children's Special Allowances Act*, Part V.1 of the *Customs Act*, section 2 of the *Energy Costs Assistance Measures Act*, the *Excise Act*, the *Excise Tax Act* (including the goods and services tax (GST) and the harmonized sales tax (HST) except for GST/HST on imported goods), the *Excise Act, 2001*, the *Income Tax Act*, the *Softwood Lumber Products Export Charge Act, 2006*, the *Universal Child Care Benefit Act*, and others including various provincial acts.

In the province of Quebec, Revenu Québec (RQ) acts as an agent of the CRA in administering and enforcing the GST, except for GST in respect of selected listed financial institutions. The CRA monitors cash transfers made by RQ, reports the GST revenues administered on its behalf, and transfers funds out of the Consolidated Revenue Fund to RQ so it can issue refunds.

Under an agreement with the province of Nova Scotia, the CRA receives worker's compensation payments and transfers these to the province. The CRA's mandate for administering customs legislation is limited to the collection functions noted under Part V.1 of the *Customs Act*. The CRA also provides collection services to Employment and Social Development Canada for certain accounts receivable under various acts.

2. Summary of significant accounting policies

For financial reporting purposes, the CRA's activities have been divided into two sets of financial statements: agency activities and administered activities. The purpose of these administered activities statements is to give information about the tax-related revenues, expenses, assets, and liabilities that the CRA administers on behalf of the federal, provincial, and territorial governments, First Nations, and other organizations. The CRA administers individual income tax for all provinces except Quebec, and corporation income tax for all provinces except Quebec and Alberta. The Financial Statements - Agency Activities include the operational revenues and expenses that the CRA manages and uses to run the organization.

The *Canada Revenue Agency Act* requires the CRA to prepare financial statements in accordance with accounting principles consistent with those applied in preparing the financial statements of the Government of Canada. As a result, CRA follows those accounting principles to account for the federal administered activities. In addition, activities administered for the provincial and territorial governments, First Nations and other organizations are accounted for on the same basis as those administered for the federal government, and may differ from the accounting principles used by those provincial and territorial governments, First Nations and other organizations. These stated accounting policies are based on Canadian public sector accounting standards.

A summary of the significant accounting policies follows:

(a) Revenue and pension contributions recognition

Revenues and pension contributions are recognized in the year in which the event that generates the revenue or the pension contribution occurs and when the effective date of the related legislation has passed and either the legislation, regulation or by-laws have been approved by the legislature or the ability to assess and collect tax has been provided through legislative convention.

The Canadian tax system is based on self-assessment, so taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not report all of their income. The CRA has implemented systems and controls to detect and correct situations where taxpayers are not complying with the various acts it administers. These systems and controls include audits of taxpayer records when the CRA decides they are necessary, but these procedures cannot be expected to identify all sources of unreported income or other cases of non-compliance with tax laws. The CRA is unable to estimate the amount of unreported tax.

An assessment (or reassessment) of tax includes all decisions and other steps made or taken by the Minister of National Revenue and officials of the CRA under the federal, provincial, and territorial acts or sections of the acts the CRA administers to calculate tax payable by taxpayers. When verifying a taxpayer's return, the CRA uses the various tax acts it administers and other criteria it developed that are designed to substantially meet the provisions of these acts. Reassessments include changes to previously assessed taxes payable at the request of the taxpayer, for example to claim a subsequent loss carry-back, or changes the CRA initiated as a result of applying procedures to verify reporting compliance, such as taxpayer audits.

Revenues are reported net of tax concessions. As foregone revenue, tax concessions do not give rise to assets or expenses of the taxing government. Refundable tax credits, deductions, or exemptions provided by the federal, provincial, territorial or First Nations governments are considered tax concessions when they provide tax relief to taxpayers and relate to the types of taxes that are a revenue source administered by CRA. When the CRA does not administer the related tax revenue, these refundable tax credits, deductions, or exemptions are accounted for as transfers made through the tax system.

The following policies are applied for specific streams:

(i) Income taxes, Canada Pension Plan contributions, and Employment insurance premiums:

Income tax revenues are recognized when the taxpayer has earned income that is subject to tax. Income is calculated net of tax deductions and credits allowed under the *Income Tax Act*, including refundable taxes resulting from current-year activity.

Canada Pension Plan (CPP) contributions from employees, employers and self-employed persons are recognized when the pensionable income is earned. Employment insurance (EI) premiums are recognized as revenue in the period the insurable earnings are earned. For non-resident taxpayers (individuals and corporations), revenues are recognized when the taxpayers receive income from which tax is withheld on active and inactive income they earned in Canada.

These revenues and pension contributions are measured from amounts assessed/reassessed and from estimates of amounts not yet assessed/reassessed based on cash received that relates to the fiscal year ended March 31. Revenues and pension contributions for the fiscal year also include adjustments between the estimated revenues of previous years and actual amounts, as well as revenues from reassessments relating to prior years. An additional estimate of future reassessments is only recorded when it can be reliably determined. This is limited to assessments under objection or appealed to various courts.

(ii) Other taxes, duties, and charges:

Goods and services tax (GST) and harmonized sales tax (HST) revenues on domestic goods and services, as well as the Quebec sales tax in respect of selected listed financial institutions are recognized at the time the goods are sold or the services provided. Revenues are reported net of input tax credits, GST/HST rebates, and the GST quarterly tax credits in the case of GST revenues. Input tax credits are the recovery of GST/HST paid or owed on purchases related to domestic and imported commercial activities of the taxpayer. Rebates are granted in various circumstances, for example to relieve the tax burden in areas where the cost of housing is very high, or to allow for the recovery of taxes on purchases where the purchaser cannot claim an input tax credit. The GST quarterly tax credit for low-income individuals and families is recorded in the period it relates to. It is intended to offset the cost of the tax for low-income individuals and families.

For excise taxes, revenue is recognized when a taxpayer sells goods taxable under the *Excise Tax Act*. For excise duties, revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act* and the *Excise Act, 2001*.

These revenues are measured from amounts assessed, and from estimates of amounts not yet assessed based on cash received or historical information, that relate to the fiscal year ended March 31. Miscellaneous charges are recognized as revenue when they are earned.

(iii) Interest, penalties, and other revenues:

Interest, penalties, and other revenues are recorded when they are earned. Except for the portion related to CPP which is credited to the CPP account, all interest and penalty revenues are reported as revenues administered for the federal government as stated in the terms of the tax collection agreements with the provinces and territories. Interest and penalties are recorded net of amounts waived under the various tax acts.

(b) Expenses

(i) Transfers:

Transfers are recognized in the year during which the events giving rise to them occur, provided that the transfer is authorized and all eligibility criteria have been met by the recipient, and a reasonable estimate of the amounts can be made. Transfers made through a tax system are considered authorized when the related tax measures are authorized. Transfers to provinces for the softwood lumber products export charge are recorded as an expense in the same year that the related softwood lumber products export charge revenues are recognized.

(ii) Interest expense:

Refunds may arise late, largely from the resolution of long-standing corporation tax files in favour of the taxpayer. Interest is accrued on refunds from the date that the tax instalment was initially paid to the date that the case is resolved. The CRA records the interest expense in the fiscal year it relates to.

(iii) Administered recoveries:

Recoveries of old age security and EI benefits are recognized when assessed. Amounts not yet assessed are estimated. The CRA reports only recoveries assessed through the individual income tax system. Recoveries determined by other federal government departments are not reported in these financial statements.

(c) Cash on hand

Cash on hand refers to amounts received in the CRA's offices or by its agents up to March 31 but not yet deposited to the credit of the Consolidated Revenue Fund of the Government of Canada. CRA or its agents deposit funds to the Consolidated Revenue Fund on a daily basis.

(d) Amounts receivable from taxpayers

Amounts receivable from taxpayers include taxes, interest, penalties, and other revenues assessed or estimated by the CRA but not yet collected. A significant portion of the receivable balance results from recording accrued receivables that relate to the current fiscal year but are not due to be paid by taxpayers until the next fiscal year.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts is management's best estimate of the collectability of amounts that have been assessed, including the related interest and penalties, but not yet paid. The allowance for doubtful accounts has two components. A general allowance is calculated based on the age and type of tax accounts using rates based on historical collection experience. A specific allowance is calculated based on an annual review of all accounts over $10 million.

The allowance for doubtful accounts is adjusted every year through a provision for doubtful accounts and is reduced by amounts written off as uncollectible during the year. The annual provision is reported in the Statement of Administered Expenses and Recoveries. Except for the portion related to CPP contributions, which is charged to the CPP account, the provision is charged to expenses administered for the federal government because it assumes all collection risks, as stated in the terms of the tax collection agreements with the provinces, territories, and First Nations.

(f) Amounts payable to taxpayers

Amounts payable to taxpayers include refunds and related interest assessed or estimated by the CRA that were not paid up to March 31. A significant portion of the amount payable results from recording accrued payables that relate to the current year but are not due for payment until the next fiscal year. They include refunds resulting from assessments completed after March 31, and estimates of refunds for individual and trust income tax and corporation income tax not yet assessed.

(g) Contingent liabilities

Contingent liabilities are potential liabilities resulting from, for example, previously assessed taxes recorded as revenue that might become actual liabilities if one or more future events occurs or does not occur. If the future event is likely to occur or does not occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and the revenues are reduced. If the likelihood cannot be determined or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(h) Measurement uncertainty

To prepare these statements, management has to make estimates and assumptions that affect the amounts of assets, liabilities, revenues, expenses, and recoveries reported. For these financial statements items, measurement uncertainty is inherent but inestimable. Estimates are used to record unassessed tax revenues and the related amounts receivable and payable, as well as the allowance for doubtful accounts. In particular, estimates are made to determine individual and trust income tax revenues, corporation income tax revenues, non-resident tax withholdings, GST/HST revenues, energy taxes, other excise tax and duty revenues, EI premiums, CPP contributions, and the related amounts receivable and payable.

A key assumption used in estimating tax revenues is that tax installments and historical information on refund rates, payments received upon filing tax returns and amounts receivable assessed are good indicators of the amount of tax revenue earned to March 31 that has not yet been assessed. Another assumption is that historical tax assessment information is a good basis to allocate tax revenues between their various components (for example, between federal, provincial and territorial tax revenues). Relevant factors such as new administered activities, legislative changes and economic factors may also be considered. Finally, the key assumption used to estimate the general allowance for doubtful accounts is that historical collection information is a good indicator of uncollectible receivables.

Estimates are based on the best information available at the time of preparation of these statements and management believes these estimates and assumptions to be reasonable. Actual results could differ significantly from the estimates and any differences are recorded in the year the actual amounts are determined. Management monitors the accuracy of the estimates and the underlying assumptions through annual validation procedures and adjusts its estimation models as required.

3. Amounts receivable from taxpayers

Amounts receivable from taxpayers include taxes, interest, penalties, and other revenues assessed or estimated by the CRA but not yet collected. A significant portion of the receivable balance results from recording accrued receivables that relate to the current fiscal year but are not due to be paid by taxpayers until the next fiscal year.

The following table shows details of the amounts receivable from taxpayers as reported in the Statement of Administered Assets and Liabilities. Amounts receivable from individuals and employers include Canada Pension Plan contributions and Employment insurance premiums as applicable.

	2015			2014
	Gross	Allowance for doubtful accounts	Net	Net
	(in thousands of dollars)			
Income taxes				
Individuals	55,149,639	(6,659,992)	48,489,647	45,540,386
Employers	17,853,567	(1,051,753)	16,801,814	15,499,659
Corporations	16,964,503	(2,282,670)	14,681,833	13,257,747
Non-residents	1,462,071	(137,764)	1,324,307	1,303,804
GST/HST	16,951,164	(2,693,741)	14,257,423	13,813,938
Excise taxes and duties and miscellaneous charges	1,525,695	(195,689)	1,330,006	1,540,231
Total	**109,906,639**	**(13,021,609)**	**96,885,030**	**90,955,765**

Changes in the allowance for doubtful accounts include the following:

	Allowance for doubtful accounts March 31, 2014	Provision for doubtful accounts	Write-offs	Allowance for doubtful accounts March 31, 2015
	(in thousands of dollars)			
Income taxes				
Individuals	(6,621,152)	(1,889,502)	1,850,662	(6,659,992)
Employers	(944,913)	(437,716)	330,876	(1,051,753)
Corporations	(2,151,715)	(646,002)	515,047	(2,282,670)
Non-residents	(138,538)	(36,066)	36,840	(137,764)
GST/HST	(2,702,600)	(806,246)	815,105	(2,693,741)
Excise taxes and duties and miscellaneous charges	(38,601)	(158,881)	1,793	(195,689)
Total	**(12,597,519)**	**(3,974,413)**	**3,550,323**	**(13,021,609)**

The provision of $3,974 million ($3,806 million in 2014) reported above includes an amount of $3,861 million ($3,722 million in 2014) recorded as an expense administered on behalf of the federal government (see note 2(e)) and $113 million ($84 million in 2014) charged against expenses administered on behalf of the Canada Pension Plan.

4. Amounts receivable under the tobacco civil settlements

On July 31, 2008, the federal and provincial governments entered into civil settlement agreements with two tobacco companies to resolve potential civil claims. Under the terms of the agreements, payments totalling $850 million are to be made to Canada, for Canada and the provinces. The federal government's share is $325 million and the provincial governments' share is $525 million. The settlement agreements state that the amounts will be fully paid by 2023. Up to $800 million is expected to be received in the first 10 years of the agreements and about $50 million in the following five years. These amounts are recorded at the nominal value.

The following table gives details of the amounts receivable related to the tobacco civil settlement agreements:

	2015			2014		
	Government of Canada share	Provincial share	Total	Government of Canada share	Provincial share	Total
	(in thousands of dollars)					
Balance, beginning of year	196,000	202,444	398,444	230,000	232,917	462,917
Amounts received during the year	(34,000)	(53,811)	(87,811)	(34,000)	(30,473)	(64,473)
Balance, end of year	**162,000**	**148,633**	**310,633**	**196,000**	**202,444**	**398,444**

5. Amounts payable to taxpayers

The following table gives details of the amounts payable to taxpayers as reported in the Statement of Administered Assets and Liabilities:

	2015	2014
	(in thousands of dollars)	
Individuals	35,815,426	32,149,939
Corporations	9,327,020	9,806,505
GST/HST	10,904,114	10,524,546
Employers and non-residents	59,617	75,232
Excise taxes and duties and miscellaneous charges	97,603	49,135
Total	**56,203,780**	**52,605,357**

6. Amounts payable to provinces

The following table gives details of amounts payable to provinces as reported in the Statement of Administered Assets and Liabilities:

	2015	2014
	(in thousands of dollars)	
Provincial share of the tobacco civil settlements (note 4)	148,633	202,444
Amounts payable to Quebec:		
Individual income tax withholdings	221,576	227,549
GST refunds issued by Quebec	110,504	88,953
Quebec sales tax in respect of selected listed financial institutions	139,375	117,242
British Columbia sales tax transitional measures	(2,942)	12,588
Nova Scotia worker's compensation	1,126	2,080
Ontario corporation income tax and opportunities fund	1,584	1,212
Softwood lumber products export charge net of costs incurred by the federal government	(19,286)	(4,051)
Total	**600,570**	**648,017**

The CRA is acting as an agent for the provinces under the tobacco civil settlements. The CRA's liability to the provinces for their expected share of the settlement amounts is limited to the amounts that will ultimately be collected from the tobacco companies.

Amounts payable to provinces, territories, and other organizations, which are settled by other departments such as the Department of Finance for provincial, territorial, and First Nations taxes, are not recorded in these financial statements because these amounts are outside the CRA's responsibility.

The CRA received $265 million in Nova Scotia worker's compensation payments during the year ($258 million in 2014), these payments are transferred directly to the province. Since this is a flow through arrangement, it is not reported as administered revenues.

7. Deposit accounts

Deposit accounts are established to record cash and securities required to guarantee payment of GST for non-resident registrants and certain licensees for excise taxes, which are both payable pursuant to the *Excise Tax Act*. The following table shows activity on the deposit accounts as reported in the Statement of Administered Assets and Liabilities:

	2015	2014
	(in thousands of dollars)	
Balance, beginning of year	162,370	149,590
Receipts and other credits	41,120	48,231
Payments and other charges	(24,942)	(35,451)
Balance, end of year	**178,548**	**162,370**
Securities held in trust	(40)	(40)
Net deposit accounts	**178,508**	**162,330**

8. Net amount due to the Consolidated Revenue Fund

The net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others is the difference between administered assets (taxes not yet received and/or deposited in the fund) and administered liabilities payable by the CRA out of the fund.

The net cash deposited in the Consolidated Revenue Fund of the Government of Canada includes amounts the CRA receives on behalf of the federal government, provinces, territories, and other organizations and deposits in the fund, less refunds and payments issued from the fund during the year.

The following table shows the change in the net amount due to the Consolidated Revenue Fund during the fiscal year:

	2015	2014
	(in thousands of dollars)	
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others at the beginning of the year	45,427,766	40,323,247
Total administered revenues and pension contributions	376,264,210	359,867,405
Total net administered expenses and recoveries	(25,391,049)	(23,667,637)
Revenues paid or payable directly to a province	(520,648)	(162,582)
Net cash deposited in the Consolidated Revenue Fund of the Government of Canada	(348,169,657)	(330,932,667)
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others at the end of the year	**47,610,622**	**45,427,766**

9. Contingent liabilities

Contingent liabilities include previously assessed taxes where amounts are under objection or are being appealed to the Tax Court of Canada, the Federal Court of Canada, or the Supreme Court of Canada. As of March 31, 2015, $22,987 million was under objection at the CRA level ($22,230 million for 2014) and $5,450 million was being appealed to the courts ($4,715 million for 2014). The CRA has recorded, in the amounts payable to taxpayers or in reduction of the amounts receivable from taxpayers, as applicable, the estimated amount of objections or appeals that are considered likely to be lost and that can be reasonably estimated.

10. Quebec abatement

The Quebec abatement is provided to Quebec residents under the *Income Tax Act* (ITA) and the *Federal-Provincial Fiscal Arrangement Act*. Residents of Quebec subtract 16.5 per cent of the Basic Federal Tax owed to the Government of Canada when compiling their taxes while the government of Quebec receives additional tax room. In accordance with the *Federal-Provincial Fiscal Revision Act, 1964* and the *Federal-Provincial Fiscal Arrangement Act*, the Government of Quebec pays the federal government the value of the Quebec Abatement through an equivalent reduction in transfer payments to the province of Quebec for programs delivered by the federal government.

The Quebec Abatement reduces the federal tax payable under the ITA and is therefore accounted for as a tax concession netted against individual income tax revenues. For the fiscal year ended March 31, 2015, the Quebec abatement assessed by CRA was $4,236 million ($3,975 million for 2014).

11. Goods and services tax revenues

The GST reported on the Statement of Administered Revenues and Pension Contributions includes the federal portion of HST. It is net of input tax credits (ITC), rebates, and the GST quarterly tax credit for low-income individuals and families that the CRA administers. It does not include GST revenues on imported goods, which are administered and reported by the Canada Border Services Agency. The CRA has sole responsibility for administering all ITC, including those claimed on imported goods. ITC relating to GST on imports are not accounted for separately from ITC relating to GST on domestic transactions.

The following table shows details of the GST revenues that the CRA administers for the Government of Canada as reported in the Statement of Administered Revenues and Pension Contributions:

	2015	2014
	(in thousands of dollars)	
Gross GST revenues	155,155,484	150,234,833
ITC	(134,592,306)	(128,821,525)
GST revenues net of ITC	20,563,178	21,413,308
GST rebates	(6,058,107)	(5,809,564)
GST quarterly tax credits for low-income individuals and families	(4,194,459)	(4,110,248)
GST net revenues	**10,310,612**	**11,493,496**

12. Miscellaneous charges

The following table details the miscellaneous charges that the CRA administers for the federal government as reported in the Statement of Administered Revenues and Pension Contributions:

	2015	2014
	(in thousands of dollars)	
Softwood lumber products export charge	(4,700)	52,779
Air travellers security charge	695,702	661,948
Total	**691,002**	**714,727**

13. Interest, penalties, and other revenues

Various tax legislations give the CRA the authority, under certain conditions, to assess interest and penalties related to taxes due and regulations that taxpayers have not complied with. Interest is charged on overdue balances using rates determined quarterly, which in most cases are based on the ninety day Treasury Bills rate rounded plus 4%. The interest rate applicable as at March 31, 2015 on most overdue balances was 5% (5% in 2014). The CRA has the authority to waive the interest and penalties that would normally be charged under certain circumstances such as processing delays caused by the CRA, financial hardship experienced by taxpayers, or other extraordinary circumstances.

Other revenues consist of miscellaneous fees and charges such as court fines and administration charges for dishonoured payments.

The following table gives details on interest, penalties, and other revenues that the CRA administers for the federal government as reported in the Statement of Administered Revenues and Pension Contributions:

	2015	2014
	(in thousands of dollars)	
Gross interest and penalties	4,775,971	5,491,414
Interest and penalties waived under authority of the *Income Tax Act*	(274,874)	(232,774)
Net interest and penalties	4,501,097	5,258,640
Fines imposed under various acts	6,620	7,353
Other revenues	1,254	1,415
Interest, penalties, and other revenues	**4,508,971**	**5,267,408**

14. Provincial portion of harmonized sales tax

During the year, CRA administered the provincial portion of the HST for the provinces of Ontario, Nova Scotia, New Brunswick, Newfoundland and Labrador and Prince Edward Island as well as returns for the period from July 2010 to March 2013 for British Columbia. CRA recorded these revenues in accordance with the accounting policies described in note 2.

The provincial portion of HST reported on the Statement of Administered Revenues and Pension Contributions is net of input tax credits (ITC), rebates and credits accounted as tax concessions. It includes the recaptured ITC, which applies to certain types of supplies purchased by large businesses. It does not include the provincial portion of HST collected on imported goods, which is administered and reported by the Canada Border Services Agency.

The following table details the provincial portion of HST revenues as reported in the Statement of Administered Revenues and Pension Contributions:

	2015	2014
	(in thousands of dollars)	
Provincial portion of gross HST revenues	108,574,218	105,772,495
Provincial portion of ITC	(79,425,774)	(78,152,620)
Provincial portion of HST rebates	(900,547)	(888,745)
Recaptured ITC	524,468	581,270
Transitional tax	26,537	34,487
HST provincial rebates	(3,963,636)	(3,816,510)
Provincial portion of HST net revenues before credits	**24,835,266**	**23,530,377**
Provincial sales tax credits		
Ontario sales tax credit	(1,193,820)	(1,168,025)
British Columbia harmonized sales tax credit	(9,960)	(16,636)
Nova Scotia affordable living tax credit	(65,698)	(66,434)
Newfoundland and Labrador harmonized sales tax credit	(43,888)	(40,415)
Ontario sales tax transition benefit	22	(10,392)
Prince Edward Island sales tax credits	(6,150)	(4,472)
Total provincial sales tax credits	**(1,319,494)**	**(1,306,374)**
Net Provincial portion of HST	**23,515,772**	**22,224,003**

15. Other revenues

The following table gives details of other revenues the CRA administers for provincial and territorial governments and First Nations as reported in the Statement of Administered Revenues and Pension Contributions.

	2015	2014
	(in thousands of dollars)	
Quebec sales tax in respect of selected listed financial institutions	520,648	162,582
First Nations sales tax and GST	24,494	21,022
First Nations income tax	23,158	24,362
Total	**568,300**	**207,966**

16. Pension contributions, interest, and penalties administered on behalf of the Canada Pension Plan

The following table shows details of the transactions the CRA administers on behalf of the Canada Pension Plan as reported in the Statement of Administered Revenues and Pension Contributions:

	2015	2014
	(in thousands of dollars)	
Pension contributions	44,959,939	43,082,324
Interest and penalties	198,855	182,293
Total	**45,158,794**	**43,264,617**

17. Related party transactions

The CRA is related in terms of common ownership to all Government of Canada departments, agencies, and Crown corporations. The CRA deposits all monies received to the Consolidated Revenue Fund (CRF), and the Department of Finance makes payments out of the CRF to provinces, territories, and other organizations for amounts such as provincial, territorial, and First Nations taxes, for which the CRA administers the revenue. Old age security benefit recoveries, Canada Pension Plan contributions (net of overpayments refunded by the CRA), and Employment insurance premiums are credited to Employment and Social Development Canada, which administers the Old Age Security program, the Canada Pension Plan, and the Employment Insurance Operating Account. The CRA also administers a refund set-off program that can use individuals' tax refunds to pay debts they owe under federal, provincial, or territorial programs.

The CRA provides collection services to the Canada Border Services Agency under Part V.I of the *Customs Act*. It also provides collection services to Employment and Social Development Canada for certain accounts receivable under the *Canada Education Savings Act*, the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, the *Canada Pension Plan*, and the *Old Age Security Act*. The related payments are made directly to either the Canada Border Services Agency or Employment and Social Development Canada, who are responsible for their deposits to the CRF, as well as their accounting and reporting. These payments are not recorded in the CRA's accounts.

Employment insurance premiums administered on behalf of the federal government include the employer's share that the federal government pays. The GST declared to the CRA includes the GST the federal government pays to its suppliers on domestic purchases. The GST that other federal government departments collect is deposited to the CRF, declared to the CRA, and included in the GST domestic revenues.

Financial Statements Discussion and Analysis – Administered Activities (unaudited)

Introduction

The Financial Statements – Administered Activities reflect the total assets and liabilities, tax and non-tax revenues, expenses and recoveries, and cash flows administered by the Canada Revenue Agency on behalf of the Government of Canada, provinces, territories, First Nations, and other government organizations. Revenues and expenses are recognized on an accrual basis.

Tax Revenues

The Canada Revenue Agency collects the majority of federal tax revenues. Other agencies and departments, such as the Canada Border Services Agency, account for the balance of total federal revenues reported in the Public Accounts of Canada. For further information on revenues collected by the Government of Canada as a whole, please refer to the Annual Financial Report of the Government of Canada, available at www.fin.gc.ca/purl/afr-eng.asp.

Revenues Administered on Behalf of the Government of Canada

Federal Administered Revenues (in thousands of dollars)	2015	2014	+(-)	%
Income tax revenues				
Individuals and trusts	135,810,323	130,894,581	4,915,742	3.8%
Corporations	39,446,519	36,587,157	2,859,362	7.8%
Non-resident tax withholdings	6,216,306	6,404,440	(188,134)	(2.9%)
	181,473,148	173,886,178	7,586,970	4.4%
Other taxes, duties, and charges				
Goods and services tax	10,310,612	11,493,496	(1,182,884)	(10.3%)
Energy taxes	5,469,039	5,425,949	43,090	0.8%
Other excise taxes and duties	3,530,554	3,359,545	171,009	5.1%
Miscellaneous charges	691,002	714,727	(23,725)	(3.3%)
	20,001,207	20,993,717	(992,510)	(4.7%)
Employment insurance premiums	22,962,274	22,160,249	802,025	3.6%
Interest, penalties, and other revenues	4,508,971	5,267,408	(758,437)	(14.4%)
	27,471,245	27,427,657	43,588	0.2%
Revenues Administered on behalf of the Government of Canada	**228,945,600**	**222,307,552**	**6,638,048**	**3.0%**

Revenues were $228.9 billion in 2015, approximately $6.6 billion higher than in 2014. Administered revenues increased as a result of sustained growth in individuals and trusts and corporations income tax revenues, partly offset by a reduction in goods and services tax (GST) revenues, and interest, penalties, and other revenues.

Individuals and trusts income tax

Individuals and trusts income tax revenues increased by $4,915.7 million or 3.8%. The increase reflects the growth in employment and wages, offset in part by the impact of the Family Tax Cut.

Corporations income tax

Corporations income tax revenues increased by $2,859.4 million or 7.8%. The increase reflects economic growth and strong corporate earnings.

Non-resident tax withholdings

Non-resident tax withholdings revenues decreased by $188.1 million or 2.9%. The decrease reflects a large one-time transaction in fiscal year 2014.

Goods and services tax

GST revenues decreased by $1,182.9 million or 10.3%. The decrease is due to higher input tax credits as a result of an increase in the value of commercial importations due to a lower Canadian dollar. This was offset in part by the growth in retail sales.

Energy taxes

Energy taxes increased by $43.0 million or 0.8%. The increase is attributable to slightly higher gasoline and diesel fuel consumption.

Other excise taxes and duties

Other excise taxes and duties increased by $171.0 million or 5.1%. The increase reflects higher tobacco duty revenues due to higher duty rates, as well as higher beer duty revenues.

Miscellaneous charges

Miscellaneous charges decreased by $23.7 million or 3.3%. The decrease is due to lower Softwood Lumber Export Charge revenues as a result of the increase in the price of lumber. This was offset in part by higher Air Traveller Security Charge revenues.

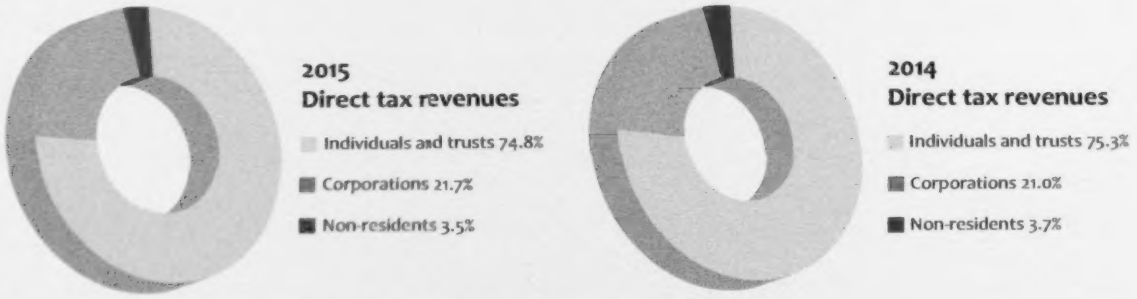
Employment insurance premiums

Employment insurance premiums increased by $802.0 million or 3.6%. The increase results from the growth in employment and wages.

Interest, penalties, and other revenues

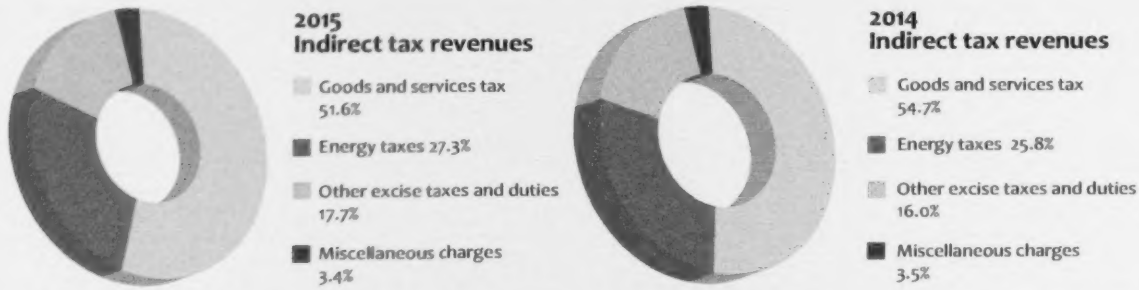
Interest, penalties, and other revenues decreased by $758.4 million or 14.4%. The decrease results from large corporate tax reassessments in fiscal year 2014, as well as a slight decrease in the average prescribed interest rate during the year.

Figure 1 – Direct tax revenues



As shown in Figure 1, the distribution of direct tax revenues remained stable in 2015.

Figure 2 – Indirect tax revenues



As shown in Figure 2, the proportion of goods and services tax declined, and the proportion of energy taxes and other excise taxes and duties increased in 2015.

Revenues Administered on Behalf of Provincial and Territorial Governments, First Nations, and the Canada Pension Plan

Provincial and Territorial Governments, First Nations, and Canada Pension Plan (in thousands of dollars)	2015	2014	+(-)	%
Income Tax – individuals and trusts	62,206,617	58,438,947	3,767,670	6.4%
Income Tax – corporations	15,869,127	13,424,320	2,444,807	18.2%
Provincial portion of harmonized sales tax	23,515,772	22,224,003	1,291,769	5.8%
Other revenues	568,300	207,966	360,334	173.3%
Revenues administered on behalf of provincial and territorial governments and First Nations	**102,159,816**	**94,295,236**	**7,864,580**	**8.3%**
Pension contributions, interest and penalties administered on behalf of the Canada Pension Plan	**45,158,794**	**43,264,617**	**1,894,177**	**4.4%**

Provincial, territorial, and First Nations revenues were $102.2 billion in 2015, approximately $7.9 billion higher than in 2014. Canada Pension Plan pension contributions and other revenues were $45.2 billion in 2015, $1.9 billion more than in 2014.

Income tax revenues – Individuals and trusts

Individuals and trusts income tax revenues increased by $3,767.7 million, or 6.4%. The increase reflects the growth in employment and wages, along with various provincial legislative changes.

Income tax revenues – Corporations

Corporations income tax revenues increased by $2,444.8 million or 18.2%. The increase reflects economic growth and strong corporate earnings, as well as the impact of low accrued revenue estimates in 2014.

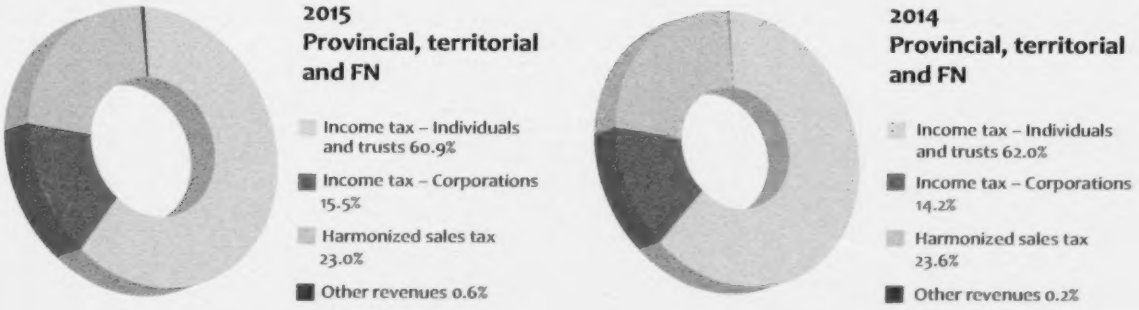
Provincial portion of harmonized sales tax (HST)

Provincial HST revenues increased by $1,291.8 million or 5.8%, which reflects the growth in retail sales.

Other revenues

Other revenues increased by $360.3 million or 173.3%. The increase is due to the growth in Quebec Selected Listed Financial Institutions revenues.

Figure 3 – Revenues administered on behalf of the provincial and territorial governments and First Nations


2015
Provincial, territorial and FN
Income tax – Individuals and trusts 60.9%
Income tax – Corporations 15.5%
Harmonized sales tax 23.0%
Other revenues 0.6%
2014
Provincial, territorial and FN
Income tax – Individuals and trusts 62.0%
Income tax – Corporations 14.2%
Harmonized sales tax 23.6%
Other revenues 0.2%

As shown in Figure 3, the distribution of revenues administered on behalf of the provincial and territorial governments and First Nations changed moderately in 2015.

Pension contributions, interest and penalties administered on behalf of the Canada Pension Plan

Canada Pension Plan pension contributions and other revenues rose by $1,894.2 million or 4.4%. The increase reflects the growth in employment and wages.

Expenses and Recoveries Administered on Behalf of the Government of Canada and Provincial and Territorial Governments

Administered expenses and recoveries (in thousands of dollars)	2015	2014	+(-)	%
Federal administered expenses	21,907,484	20,494,844	1,412,640	6.9%
Federal administered recoveries	(1,685,179)	(1,555,325)	(129,854)	8.3%
Net expenses and recoveries administered for the Government of Canada	**20,222,305**	**18,939,519**	**1,282,786**	**6.8%**
Provincial and territorial administered expenses	5,055,688	4,644,599	411,089	8.9%
Provision for doubtful accounts administered for the Canada Pension Plan	113,056	83,519	29,537	35.4%
Total net administered expenses and recoveries	25,391,049	23,667,637	1,723,412	7.3%

Net federal expenses and recoveries were $20.2 billion in 2015, $1.3 billion higher than in 2014. Provincial and territorial expenses were $5.1 billion, $411.1 million higher than in 2014.

Federal administered expenses

Federal administered expenses increased by $1,412.6 million or 6.9%. The increase is mostly due to the implementation of the enhanced Universal Child Care Benefit included in Budget 2015.

Federal administered recoveries

Federal administered recoveries rose by $129.9 million or 8.3% due to higher Old Age Security (OAS) recoveries. This increase reflects a higher number of OAS benefit recipients and a growth in taxable income.

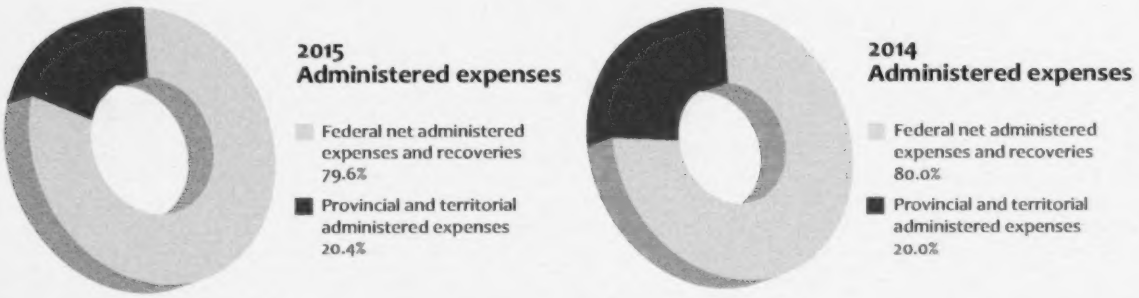
Expenses administered for provinces and territories

Expenses administered for provinces and territories increased by $411.1 million or 8.9%. The increase is due to higher production services tax credits and indexation of entitlements.

Provision for doubtful accounts administered for the Canada Pension Plan

The provision for doubtful accounts administered for the Canada Pension Plan increased by $29.5 million or 35.4%. This increase was due to the growth in the allowance for doubtful accounts.

Figure 4 – Expenses and recoveries administered on behalf of the Government of Canada and provincial and territorial governments


2015
Administered expenses
Federal net administered expenses and recoveries 79.6%
Provincial and territorial administered expenses 20.4%
2014
Administered expenses
Federal net administered expenses and recoveries 80.0%
Provincial and territorial administered expenses 20.0%

As shown in Figure 4, the distribution of expenses and recoveries administered on behalf of the Government of Canada and the provincial and territorial governments remained stable in 2015.

Summary of the assessment of effectiveness of the system of internal control over financial reporting and the action plan of the Canada Revenue Agency

(Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting – unaudited)

Fiscal Year 2014-2015

1. Introduction

This document provides summary information on the measures taken by the Canada Revenue Agency (CRA) to maintain an effective system of internal control over financial reporting (ICFR), including information on internal control management, assessment results, and related action plans.

Detailed information on the CRA's authority, mandate, and program activities can be found in the *2014-15 Departmental Performance Report* at www.cra-arc.gc.ca/gncy/prfrmnc_rprts/menu-eng.html[xii] and the *2014-15 Report on Plans and Priorities* www.cra-arc.gc.ca/gncy/rprts/menu-eng.html[xiii].

2. CRA system of internal control over financial reporting

2.1 Internal control management

The CRA has a well-established governance and accountability structure to support the CRA's assessment efforts and oversight of its system of internal control. A CRA internal control management framework, approved by the Commissioner and the Board of Management, is in place and includes:

- Organizational accountability structures as they relate to internal control management to support sound financial management, including roles and responsibilities of senior managers in their areas of responsibility for control management;
- Values and ethics;
- Ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control; and
- Regular updates on internal control management, as well as the provision of related assessment results and action plans to the Commissioner, senior management, and the Audit Committee of the Board of Management.

The CRA Finance Committee provides support to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) in relation to control activities. It is chaired by the CFO and has representatives from each branch and region at the executive level.

In addition, the Audit Committee of the Board of Management provides advice on the adequacy and functioning of the CRA's risk management, control and governance frameworks and processes.

2.2 Service arrangements relevant to financial statements

The CRA relies on other organizations for the processing of certain transactions that are recorded in its financial statements as follows:

Common Arrangements

- Public Works and Government Services Canada centrally administers the payments of salaries and the procurement of some goods and services in accordance with the CRA's Delegation of Authority and provides accommodation services.
- Treasury Board Secretariat provides the CRA with information used to calculate various accruals and allowances.
- The Department of Justice provides legal services to the CRA.
- Shared Services Canada provides information technology (IT) infrastructure services to the CRA in the areas of data centres and network services. The scope and responsibilities are addressed in the interdepartmental arrangement between Shared Services Canada and the CRA.

Specific Arrangements

- Revenu Québec is responsible for the joint administration of the goods and services tax and Quebec sales tax for businesses in the Province of Quebec.
- The Department of Finance Canada provides the CRA with the federal and provincial shares of Goods and Services Tax/Harmonized Sales Tax (GST/HST) revenues that are used to determine provincial payments for the HST.
- The Canada Border Services Agency provides the CRA with the amount of GST revenues collected from importers, which is used in the calculation of the provincial portion of the HST revenues.
- Department of Finance Canada and Employment and Social Development Canada provide estimates of Canada Pension Plan and Employment Insurance revenues respectively for the months of January to March.

Other government departments rely on the CRA for the processing of certain transactions or information that affect financial statements as follows:

- Canada Border Services Agency for information technology services, including commensurate internal controls testing for general computer controls, as well as collection services on their behalf for duties, taxes, fees, penalties, or other amounts owing under the *Customs Act*, *Customs Tariff*, *Excise Tax Act*, *Excise Act 2001*, and/or related regulations.
- Department of Finance Canada for the determination of tax receivables and payables under Tax Collection Agreements (TCAs) with provincial and territorial governments and First Nations.
- Employment and Social Development Canada for the collection of its accounts receivable and the administration of a number of activities related to the Canada Pension Plan and Employment Insurance Operating Account.

3. CRA assessment results during fiscal year 2014-2015

3.1 Design effectiveness testing of key controls

In 2014-2015, the CRA completed design effectiveness testing of the Trust Income Tax (T3) program, which falls under the TCAs with the provinces and territories.

As a result of the design effectiveness testing, the CRA identified the following required remediation:

- Implementation of the final phases of the CRA action plan relating to the granting and monitoring of system access to prevent segregation of duty conflicts and to ensure minimum access need to be completed. The plan is complex and requires a multi-phased implementation, but the completion date remains on schedule.
- Stronger controls are required to demonstrate compliance to documented information technology change management processes.
- Controls over procedures and the review process need to be improved with respect to manual assessments and reassessments.

3.2 Ongoing monitoring of key controls

In 2014-2015, the CRA completed planned ongoing monitoring of the following processes:

1. entity-level controls;
2. general computer controls; and
3. all business processes related to
   a. payroll,
   b. capital assets, and
   c. budget and projections

As a result of ongoing monitoring, the CRA identified the following required remediation:

> Further progress is required to improve the process surrounding the granting and monitoring of access to prevent segregation of duty conflicts and ensure minimum access.

4. CRA action plan

4.1 Progress during fiscal year 2014-2015

The CRA continued to make progress in assessing and improving its key controls. The following table summarizes the CRA's progress based on the plans identified in the previous fiscal year's annex.

Progress during fiscal year 2014-2015	
Element in previous year's action plan	Status
Agency Activities ongoing monitoring	Ongoing monitoring testing was completed for entity-level controls, general computer controls, payroll, capital assets and budget and projections.
Non-Resident Tax	Documentation of the control framework has started. Design effectiveness testing plans are in place to conduct the assessment as planned in 2015-2016.
Trust Income Tax (T3) Program	Design effectiveness testing was completed and remediation action plans were identified.
Follow-up of activities requiring remediation from previous assessments	The CRA has followed up on all the action plans from the: • 2013-2014 agency activities testing as part of ongoing monitoring; • T2 design effectiveness assessment and OAG audit report as at November 30, 2008; • T1 design effectiveness assessment and OAG audit report as at November 30, 2010; • T2 operating effectiveness assessment and OAG audit for the six-month period ending March 31, 2013; • T1 Unapplied Taxes as part of the Individual Income Tax Program design effectiveness assessment and OAG audit report as at January 31, 2014; and • Goods and services tax/Harmonized sales tax design effectiveness assessment as at March 31, 2014. Overall results have been positive and the majority of the recommendations made have been implemented. However, the following items that were identified in prior years remain: • Access to systems and segregation of duties; and • The processing of GST/HST elections filed by registrants.

4.2 Status and action plan for the next fiscal year and subsequent years

The CRA has continued to make progress on assessing its internal controls over financial reporting throughout the numerous programs that CRA administers. It is recognized that implementation for all its processes requires multi-year initiatives. After design effectiveness and operational effectiveness testing are complete, the CRA will be applying its rotational ongoing monitoring plan to reassess control performance on a risk basis across all control areas, with the exception of those under the scope of TCA assessments as explained in note 4.

Status and action plan for the next fiscal year and subsequent years			
Key control areas	Design effectiveness testing and remediation	Operational effectiveness testing and remediation	Ongoing monitoring rotation[1]
Administered Activities under the Tax Collection Agreements with the provinces and territories			
T1 individual income tax (legacy system)	Complete		
T1 unapplied taxes/source deductions[2]	Complete		
T1 individual income tax (T1 System Redesign)[3]	2016-2017 (limited scope)	Future years[2]	N/A[4]
T2 corporation income tax	Complete	Complete	N/A[4]
T3 trust income tax	Complete	Future years[4]	N/A[4]
Other Administered Activities			
Goods and services tax/Harmonized sales tax	Complete	Future years	Future years
Non-resident income tax	2015-2016	Future years	Future years
Excise tax	2017-2018	Future years	Future years
Benefits	2016-2017	Future years	Future years
Agency Activities			
Entity level controls[5]	Complete	Complete	2015-2016
IT general controls under CRA management[5]	Complete	Complete	2015-2016
Capital assets	Complete	Complete	2015-2016
Procurement and vendor master data	Complete	Complete	2015-2016
Payroll	Complete	Complete	2015-2016
Budget and projections	Complete	Complete	2015-2016
Financial close and reporting	Complete	Complete	2015-2016

1 The frequency of the ongoing monitoring of key control areas is risk-based and occurs over a three-year cycle.

2 The design effectiveness testing was performed in 2013-2014 as a partial scope of the T1 individual income tax program. In the future, it will be assessed as an integral component of the T1 program.

3 The legacy T1 system is being upgraded through the T1 System Redesign initiative. This initiative is a multi-year project that will significantly modify systems and business processes related to the processing of T1 returns. Due to the magnitude of these changes, it was determined that design effectiveness testing of the new processes and systems with a limited scope would be appropriate as a next step.

4 The CRA performs the readiness testing for engagements related to the TCA with the Provinces and Territories and submits the results along with a controls assessment report to the OAG who audits them in accordance with the Canadian Standard on Assurance Engagements 3416. TCA related control assessments do not go into a regular ongoing monitoring phase because complete re-assessment engagements are required to fully test all control activities to ensure that the selected income tax program is still designed and operating effectively. As such, the timing and frequency of these complete control assessment audits are determined in conjunction with the OAG and will continue to be conducted on a rotational annual basis.

5 Entity Level Controls and IT general controls under CRA management are also evaluated through the Administered Activities projects.

Unaudited supplementary financial information

Financial performance information – parliamentary appropriations

Introduction

This section provides the details of the CRA's resource management performance for the purpose of reporting to Parliament on the use of appropriations in 2014-2015. This complements the information provided in the spending profile sections under each program and satisfies the reporting requirements set for annual reports to Parliament.

Financial reporting methodologies

The CRA's funding is provided by Parliament through annual appropriations (modified cash accounting basis) and, in this section, the CRA reports its expenditures and performance, together with details on the management of Parliamentary appropriations on the same basis. In addition to its reporting requirements, the CRA also has to prepare its annual financial statements in accordance with the accounting principles applied in preparing the financial statements of the Government of Canada (full accrual accounting basis). Accordingly, the audited Statement of Operations and Agency Net Financial Position – Agency Activities on page 97 includes certain items such as services received without charge from other government departments and federal agencies. A reconciliation can be found in note 3 on page 104.

The CRA prepared and included future-oriented financial statements in the *2014-15 Report on Plans and Priorities*. As directed by the Treasury Board of Canada Secretariat, this future-oriented financial information was prepared on an accrual basis to strengthen accountability and improve transparency and financial management. As part of the analysis of net cost of operations, the report compares actual results to the initial future-oriented financial statements contained in the *2014-15 Report on Plans and Priorities*.

CRA financial information

Activities of the CRA 2014-15	(dollars)	(FTEs)
Main Estimates[1]	3,861,256,109	38,117
Planned Spending[2]	3,876,796,322	38,251
Total Authorities[3]	4,332,396,452	-
Actual Spending	4,060,833,990	38,561

1 Spending authorized by Parliament at the beginning of the fiscal year.

2 Main Estimates authorities plus other amounts authorized as reported in the *2014-15 Report on Plans and Priorities*.

3 Total spending authorized by Parliament during the fiscal year.

The Financial Statements – Agency Activities reports total Parliamentary appropriations used as $3,861.2 million (note 3b on page 105 shows the reconciliation to the net cost of operations). The difference from the $4,060.8 million noted above is primarily explained by two items reported in the Financial Statements – Administered Activities, namely statutory disbursements to provinces under the *Softwood Lumber Products Export Charge Act, 2006*, -$15.1 million; and children's special allowance payments, $214.8 million.

Overview

For 2014-2015, Parliament approved $3,861.3 million through the Main Estimates, as shown in the CRA's *2014-15 Report on Plans and Priorities*.

The 2014-2015 Main Estimates were increased to include:

- $339.2 million for the carry-forward from 2013-2014;
- $88.1 million for the one-time transition payment for implementing the pay-in-arrears model;
- $75.7 million for severance payments, parental benefits and vacation credits;
- $34.4 million for contributions to employee benefit plans;
- $31.2 million for enhancements to non-audit compliance programs;
- $22 million for the implementation and administration of various tax measures announced in the 2013 and 2014 federal budgets;
- $13.9 million transferred from Public Works and Government Services Canada due to a reduction in CRA's accommodation needs;
- $3.6 million for court awards and Crown assets disposal; and
- $2.5 million for collective bargaining increases.

These increases were offset by the following reductions:

- $95.1 million for disbursements to provinces under the *Softwood Lumber Products Export Charge Act, 2006*;
- $13.2 million in the spending of revenues received through the conduct of its operations, primarily attributable to reductions in services to the province of Ontario; and
- $31.2 million in payments under the *Children's Special Allowance Act* for eligible children in the care of agencies and foster parents.

This resulted in total approved authorities of $4,332.4 million for 2014-2015, representing an in-year increase of 12.2% over the Main Estimates.

Of the $4,332.4 million total authority, CRA's actual spending totalled $4,060.8 million resulting in $271.6 million remaining unexpended at year-end. After deducting unused resources related primarily to Government advertising campaigns, accommodation and real property services, Canada School of Public Service and employee benefit plans associated with converting operating costs to personnel costs, the remaining $261.4 million is available for use by the CRA in 2015-2016 under its statutory two-year spending authority.

The CRA's two-year spending authority enables the CRA to be more strategic in using public funds by taking a multi-year view of plans and budgets. The financial flexibility in 2014-2015 was notably reduced from the prior fiscal year as a result of the implementation of initiatives to improve efficiency. The carry-forward from 2014-2015 forms part of the CRA's strategy to address unfunded operating pressures in 2015-2016, including the amounts set aside in anticipation of wage settlements for the period under the operating budget freeze.

Revenues administered by the CRA

Total revenues administered by the CRA amount to $376.3 billion in 2014-2015, an increase of 4.6% from the $359.9 billion administered in 2013-2014.

	2014-15	2013-14
	(dollars)	
Federal government	228,945,600,000	222,307,552,000
Provincial, territorial governments and First Nations	102,159,816,000	94,295,236,000
Canada Pension Plan	45,158,794,000	43,264,617,000
Total	376,264,210,000	359,867,405,000

Supplementary information tables

The supplementary information tables[xiv] can be found on the CRA's website at www.cra.gc.ca[xv].

- Departmental sustainable development strategy;
- Details on transfer payment programs;
- Internal audits and evaluations;
- Response to parliamentary committees and external audits;
- Sources of respendable and non-respendable revenue;
- Details on project spending;
- User fees reporting;

Tax expenditures and evaluations

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures annually in the Tax Expenditures and Evaluations[xvi] publication. The tax measures presented in the Tax Expenditures and Evaluations publication are the sole responsibility of the Minister of Finance.

Section 4
Organizational Contact Information

The Honourable Diane Lebouthillier
Minister of National Revenue
The minister is responsible for the Canada Revenue Agency.

Richard (Rick) Thorpe
Chair, Board of Management
The Board is responsible for overseeing the organization and administration of the CRA and the management of its resources, services, property, personnel, and contracts.

Andrew Treusch
Commissioner of the Canada Revenue Agency
The commissioner is the chief executive officer of the CRA and is responsible for its day-to-day management and direction.

John Ossowski
Deputy Commissioner
The deputy commissioner supports the commissioner and chief executive officer in the day-to-day management and direction of the CRA.

Anne-Marie Lévesque
Assistant Commissioner
Appeals

Frank Vermaeten
Assistant Commissioner
Assessment, Benefit and Service

Richard Montroy
Assistant Commissioner
Compliance Programs

Geoff Trueman
Assistant Commissioner
Legislative Policy and Regulatory Affairs

Michael Snaauw
Assistant Commissioner
Collections and Verification

Ainslea Cardinal
Assistant Commissioner
Atlantic

Vince Pranjivan
Assistant Commissioner
Ontario

Maureen Phelan
Assistant Commissioner
Pacific

Cheryl Bartell
Assistant Commissioner
Prairie

Gabriel Caponi
Assistant Commissioner
Quebec

Brian Philbin
Assistant Commissioner
and Chief Audit Executive
Audit, Evaluation, and Risk

Roch Huppé
Assistant Commissioner
and Chief Financial Officer
Finance and Administration

Diane Lorenzato
Assistant Commissioner
Human Resources

Annette Butikofer
Assistant Commissioner
and Chief Information Officer
Information Technology

Micheline Van-Erum
Assistant Deputy Attorney General
Legal Services

Susan Gardner-Barclay
Assistant Commissioner
and Chief Privacy Officer
Public Affairs

Yves Giroux
Assistant Commissioner
Strategy and Integration

As of November 2015

Head office

Connaught building
555 MacKenzie Avenue, 7th floor
Ottawa ON K1A 0L5
Telephone: 613-957-3688 Fax: 613-952-1547
Website: www.cra-arc.gc.ca[xv]

Members of the Board of Management

Top Row: Gerard J. Fitzpatrick, Rossana Buonpensiere, Richard J. Daw, Susan Hayes, Mark S. Dwor (appointed after the 2014-2015 fiscal year), Norman G. Halldorson, Joyce Sumara, Myles Bourke

Bottom Row: Margaret Melhorn, Andrew Treusch, Richard (Rick) Thorpe, Robert (Bob) M. Manning, Fauzia Lalani

Missing: Francine Martel-Vaillancourt and Todd J. McCarthy (appointed after the 2014-2015 fiscal year)

Appendix A
Agency governance and the Board of Management

The Board of Management of the CRA consists of 15 members appointed by the Governor in Council. They include the Chair, the Commissioner and Chief Executive Officer, a director nominated by each province, one director nominated by the three territories in turn, and two directors nominated by the federal government. Members of the Board bring a diverse business and community perspective from the private, public, and not-for-profit sectors to the work of the CRA.

As stated in the *Canada Revenue Agency Act*, the Board is responsible for overseeing the organization and administration of the CRA and the management of its resources, services, property, personnel, and contracts. It undertakes its oversight role in cooperation with CRA management to confirm the CRA fosters sound management and service delivery.

Board priorities and accomplishments for 2014-2015

In support of the Agency during this reporting period, the Board continued to provide oversight in all areas for which it has statutory responsibilities, in line with the Board's priorities as stated in the CRA's *Corporate Business Plan 2014-2015 to 2016-2017*. Details on the Board's accomplishments in priority areas are included in the following sections.

In 2014-2015, the Board thanked departing directors Raymond Desrochers, Gordon Gillis, James Nininger, and Luce Samoisette, for their service and welcomed Rossana Buonpensiere, Susan Hayes, Francine Martel-Vaillancourt, and Joyce Sumara.

Strategic transformation

To encourage strategic transformation and fulfil the annual responsibility laid out in the *Canada Revenue Agency Act*, the Board of Management supervised the development of the Corporate Business Plan. The Board oversaw the management and administration of the CRA's priorities from the plan and instituted a Board Commitments and Performance Dashboard and regular updates on key files to refine this oversight.

The Board also strongly supported the engagement and empowerment of employees through the public service's Blueprint 2020 vision, and was pleased with the results described in the CRA's 'Proudly delivering' report, published in January 2015, notably the continued online and in-person consultation of employees.

During the Board's annual planning meeting, and in further discussions during the year, the Board examined the type of service taxpayers receive, with an emphasis on e-services, as well as best practices for the workplace of the future. The Board underlined its support of a culture of innovation at the CRA, and encouraged senior management in this regard.

The Chair receives targeted briefings by assistant commissioners before each quarterly meeting. The Board has also instituted a series of "meet and greet" sessions with CRA branches to strengthen its relationship with executives and employees of the CRA. Several Board members also visited regional offices across Canada to extend their knowledge of the challenges facing the organization.

Integrity and security

In 2014-2015, the Board received timely updates on integrity, notably on communicating the integrity message to CRA personnel, for instance by including it in executive performance agreements and executive training. The most recent Integrity Framework update, provided in fall 2014, presented a renewed image of integrity initiatives.

The security of taxpayer data and employees were focal points for the CRA and the Board. The Board is fully informed of activities in this area, and received regular updates on priority projects to enhance security.

The Board approved the Information Technology Security Strategy 2014-2017, which outlines risks the Agency could face as a result of evolving technologies. The Strategy also explains how to maintain the confidentiality, integrity, and availability of taxpayer information using industry-leading security solutions. The Board also monitors the relationship between the CRA and Shared Services Canada (SSC), which supports the CRA infrastructure, notably through the SSC/CRA Relationship Assessment Framework.

The Board monitored the progress of Reliability Plus security screening, which was completed for all CRA executive positions.

Continuous improvement in service to Canadians and red tape reduction

The Board remains committed to providing advice to the CRA on continual improvement in service to Canadians. Board members were keenly interested in consultations with Canadians on red tape reduction and the Underground Economy. Board members were informed of progress on initiatives proposed in the new Underground Economy strategy. The CRA also reported to the Board on actions resulting from red tape reduction consultations with small and medium-sized businesses across the country.

Board members' advice to the CRA also targeted digital services. The CRA released its first mobile application for businesses in 2014, as well as a number of other digital services for businesses and individuals, and solidified plans for the future. Another aspect of service to Canadians important to the Board is the use of plain language to inform and guide Canadians. The CRA is implementing plain language approaches in communicating with Canadians.

The Board is responsible for approving corporate policy instruments at the CRA and promotes the overall streamlining of corporate policy. In 2014-2015, new corporate policy frameworks for information technology and for human resources were approved, as was the redesign and reduction of the human resources policy suite.

Internal red tape reduction at the CRA encompasses streamlining the corporate policy suite and reducing the reporting burden. Over the last year, 12 reports were eliminated, and processes were simplified, including a corporate committee governance review and a pilot to streamline the Board's material and processes. The Board also adopted a new approach to the Board of Management Oversight Framework.

People management

Over the fiscal year, the Board received updates and provided comments on major human resources themes: the workplace, leadership, the modernization of infrastructure, and the workforce. The Board was pleased with the CRA's standing in the Public Service Employee Survey results.

Board members discussed recruitment and succession planning for Agency leadership, based on detailed demographic and risk analysis, and approved the Agency Workforce Plan 2015-2016 and the revised human resources policy suite. The Board commended the emphasis the suite places on integrity and corporate responsibilities.

Senior management briefed the Board concerning changes in government-wide learning capacities which will allow the CRA to focus on specialized technical training; members were pleased with the increase in online training and tools. The Board also received updates on labour relations, employment equity, official languages, and occupational health and safety. Members supported Blueprint 2020 consultations and innovations in human resources, which included the engaging employees using the Destination 2020 online tool. The Board will continue to encourage the empowerment of CRA employees.

Financial and resource management

The Board oversaw the implementation of measures aligned with government-wide fiscal rebalancing, and provided insight and guidance for the CRA's Strategic Investment Plan and IT Strategy and Plan 2014-2015 to 2016 2017. Members focus on fiscal management through regular resource management updates. They also approved the CRA's Financial Statements and Annual Report.

As part of its responsibility for corporate policy and oversight of financial management, the Board approved a revision of the Policy Framework for Financial Management and Administration.

The Board also monitored the CRA's audit practices. It approved the Risk-Based Audit and Evaluation Plan 2014-2017 and received quarterly updates on internal audit reports and evaluations. Members received regular reports from the Office of the Auditor General and monitored the CRA's response to the Office of the Privacy Commissioner Audit.

Conclusion

The Board has accomplished its strategic objectives for 2014-2015. It is committed to fulfilling its fiduciary responsibilities and providing oversight of the organization and administration of the CRA, in the areas under its purview. It has provided senior management with advice and guidance throughout 2014-2015. The Board also acknowledges the excellent cooperation and support it received from the Commissioner, senior management, and the employees of the CRA.

Board membership

Board members, as of March 31, 2015.

Richard (Rick) Thorpe, CPA, CMA, FCMA
Chair, Board of Management
Penticton, British Columbia

Myles Bourke, B.Comm., FCPA, FCA
Corporate Director
Lethbridge, Alberta

Rossana Buonpensiere, CMC, LL.B
Partner, Consulting Services MNP LLP
Winnipeg, Manitoba

Richard J. Daw, FCPA, FCA, CMC
Corporate Director
St. John's, Newfoundland and Labrador

Gerard J. Fitzpatrick, CPA, FCA, TEP
Partner
Fitzpatrick & Company Chartered Accountants
Charlottetown, Prince Edward Island

Norman G. Halldorson, B.Comm., FCPA, FCA
Corporate Director
Clavet, Saskatchewan

Susan Hayes, LL.B
Chief Professional Resources Officer
Stewart McKelvey
Halifax, Nova Scotia

Fauzia Lalani, P.Eng.
Director, Logistics Services
Suncor Energy Services Inc.
Calgary, Alberta

Robert (Bob) Manning, B.B.A.
Associate
Owens MacFadyen Group
Saint John, New Brunswick

Francine Martel-Vaillancourt, FCPA, FCA, ASC
Corporate Director
Saint-Laurent-de-l'île-d'Orléans, Quebec

Margaret Melhorn, B.A., M.A.
Corporate Director
Yellowknife, Northwest Territories

Joyce Sumara, B.A.
Corporate Director
Haliburton, Ontario

Andrew Treusch, B.A., M.A.
Commissioner of Revenue and
Chief Executive Officer of the CRA
Canada Revenue Agency
Ottawa, Ontario

****At the time of writing this report in the new fiscal year, two new members had been appointed to the Board of Management:
Mark S. Dwor (British Columbia) and Todd J. McCarthy (Ontario).****

Committee membership and director participation

The Board of Management is supported by four committees: they undertake much of the detailed review of items brought before the Board for its consideration. The following table shows the membership of each committee as well as directors' committee attendance over the 2014-2015 fiscal year.

Board Member	Board of Management (8 meetings)[1]	Audit Committee (5 meetings)	Governance committee (2 meetings)	Human Resources Committee (4 meetings)	Resources Committee (4 meetings)	BoMOF Sub-Committee (2 meetings)
Board members present throughout the fiscal year						
Myles Bourke	7/7	5/5	2/2		2/2	
Richard J. Daw	7/7	5/5		2/2		
Gerard J. Fitzpatrick	7/7	5/5			2/2	
Norman G. Halldorson	7/8	4/5				2/2
Fauzia Lalani	8/8		2/2		4/4	0/2
Robert (Bob) Manning	8/8				4/4	1/2
Margaret Melhorn	7/7			4/4	4/4	
Richard (Rick) Thorpe	8/8	5/5	2/2	4/4	4/4	2/2
Andrew Treusch	7/7		2/2	4/4	3/4	
Board members who joined during the fiscal year[2]						
Rossana Buonpensiere	2/2		1/1	1/1		
Susan Hayes	1/1					
Joyce Sumara	2/2		1/1		1/1	
Board members who departed during the fiscal year						
Raymond Desrochers	3/4		1/1			
Gordon Gillis	7/7		1/1	3/3		2/2
James R. Nininger	4/5		1/1	2/2		
Luce Samoisette	2/5			1/2		1/2
Average attendance per meeting	**87/93=94%**	**24/25=96%**	**13/13=100%**	**21/22=96%**	**24/25=96%**	**8/12=67%**

1 **The total includes all in-person and teleconference meetings. One Board teleconference to finalize the Corporate Business Plan was restricted to chairs of the Board and committees and the Commissioner.**

2 **Francine Martel-Vaillancourt was appointed to the Board after the March meetings and is not included in the attendance statistics.**

Governor in Council rates of pay		
Member capacity	Per annum retainer	Per diem
Board chair	$14,500 - $17,100	$565 - $665
Committee chair	$11,100 - $13,000	$565 - $665
Director	$7,300 - $8,600	$475 - $550

Appendix B
Service standards

Canadians' confidence in the integrity of the tax system is essential to the CRA's success. Meeting our service standards shows we are answering the needs of taxpayers and benefit recipients. Our service standards tell citizens what level of performance they can reasonably expect from the CRA under normal circumstances. We review our standards and targets every year and update them as needed.

New service standards in 2014-2015

The CRA introduced one new service standard.

Program	Service	Standard	Target
Taxpayer and Business Assistance	e-Services Helpdesk telephone service	Our goal is to respond to calls in the queue within two minutes	80%

Our service standard results

Taxpayer and Business Assistance

Service	Standard	Target	2012-13	2013-14	2014-15
Business enquiries – telephone service level	Our goal is to respond to calls in the agent queue within two minutes	80%	82%	81%	81%
GST/HST rulings and interpretations – telephone enquiries	Our goal is to respond to calls in the queue within two minutes	80%	97%	95%	93.2%
GST/HST rulings and interpretations – written enquiries	Our goal is to respond to a written request for GST/ HST rulings and interpretations within 45 business days of receipt in the Canada Revenue Agency. This excludes highly technical and precedent and/or policy-setting rulings and interpretations	80%	81%	74%[1]	83%
Charities – responding to telephone enquiries	Our goal is to respond to calls in agent queue within two minutes	80%	86.3%	85.1%	76.2%[2]

Service	Standard	Target	2012-13	2013-14	2014-15
Charities – responding to simple applications	Our goal is to respond to simple applications for charitable registration within two months, upon receipt of a complete application	80%	94.5%	90.9%	91.2%
Charities – responding to regular applications	Our goal is to respond to regular applications for charitable registration within six months, upon receipt of a complete application	80%	97.5%	99%	94.7%
Charities – written enquiries – routine	Our goal is to review and respond to routine written enquiries in 30 calendar days or less of receipt	80%	N/A[3]	79.8%	83.3%
Charities – written enquiries – complex	Our goal is to review and respond to complex written enquiries in 75 calendar days or less of receipt	80%	N/A[3]	55%	62.6%[4]
Advance income tax rulings	Our goal is to issue advance income tax rulings within 90 business days of receipt of all essential information from the client	85%	74%	75%[5]	81%[6]
e-Services Helpdesk – telephone service level	Our goal is to respond to calls in the agent queue within two minutes	80%	N/A[7]	N/A[7]	81%
General enquiries – telephone service level	Our goal is to respond to calls in the agent queue within two minutes	80%	82%	80%	81%
Technical interpretations	Our goal is to issue technical interpretations within 90 business days of receipt of all essential information from the client	85%	83%	87%	88%
Actuarial valuation reports	Our goal is to review actuarial valuation reports within nine months and provide written approval of the recommended employer contributions	80%	52%	71%	81%
Amendments to registered pension plans	Our goal is to review pension plan amendments for compliance with the *Income Tax Act* within nine months	80%	81%	82%	62%[8]
Applications to register pension plans	Our goal is to complete a full review and provide a response on applications to register pension plans within 180 calendar days	85%	90%	89%	81%
Deferred income plans – response to written enquiries	Our goal is to respond to written enquiries within 60 calendar days	80%	98%	89%	43%[9]

Service	Standard	Target	2012-13	2013-14	2014-15
Deferred profit sharing plans – amendments and terminations	Our goal is to review requests to amend and to terminate plans within 270 calendar days	80%	97%	92%	97%
Deferred profit sharing plans – reviewing applications	Our goal is to review applications to register new deferred profit sharing plans within 180 calendar days	80%	100%	98%	97%
Education savings plans (applications to register, amend, or terminate)	Our goal is to respond to applications to approve, amend, and terminate education savings plans specimen plans within 60 calendar days	85%	91%	92%	85%
Retirement income funds (applications to register, amend, or terminate)	Our goal is to respond to applications to register, amend, or terminate retirement income funds within 60 calendar days	80%	99%	99%	100%
Retirement savings plans (applications to register, amend, or terminate)	Our goal is to respond to applications to register, amend, or terminate retirement savings plans (RSPs) within 60 calendar days	80%	96%	99%	99%

1 **In 2013-2014, some resources were diverted from providing rulings to train new technical staff and develop new initiatives (e.g., folios).**

2 **An increase in the volume of calls and the need to train additional resources led to lower results.**

3 **The service standard was introduced in 2013-2014, therefore no prior-year results are available.**

4 **Volume of written enquiries increased, and training requirements diverted resources from answering enquiries.**

5 **The results improved (from 71% at the start of December to 74% at the end of March) when resources were reallocated and inventory management strategies were implemented.**

6 **Turnaround times have improved over each of the past three years, moving us closer to this target. To further reduce turnaround times, we are closely monitoring file inventory and have boosted our technical capacity by hiring additional highly qualified rulings officers to replace some departing personnel.**

7 **The service standard was introduced in 2014-2015, therefore no prior-year results are available.**

8 **We have begun to focus on a new cyclical, risk-based review process where requests for amendments are done as part of a comprehensive plan review instead of being done on a first-in, submission-driven basis. As a result, we have retired this service standard as of April 1, 2015. However, to provide the best client service, we also focused on reviewing plans with the oldest amendments.**

9 **In our efforts to reduce an existing backlog, due to the need to train additional resources, we responded to the oldest enquiries which were already outside of our service standard, causing a drop in overall results.**

Assessment of Returns and Payment Processing

Service	Standard	Target	2012-13	2013-14	2014-15
Processing excise tax, excise duty, softwood lumber returns, and air travellers' security charge returns	Our goal is to assess excise tax, excise duty, softwood lumber returns, and air travellers' security charge returns in 60 calendar days or less of receipt	95%	N/A[1]	97.2%	97.6%
Processing GST/HST returns	Our goal is to process GST/HST returns within 30 calendar days of receipt	95%	93.8%	96.5%	97%
Processing T2 corporation income tax returns – electronic	Our goal is to assess electronic T2 returns (corporation income tax) in 45 calendar days or less	90%	N/A[2]	97.1%	96.5%
Processing T2 corporation income tax returns – paper	Our goal is to assess paper T2 returns (corporation income tax) in 90 calendar days or less	90%	N/A[2]	91.4%	92.1%
Processing T1 individual income tax returns (EFILE and NETFILE)	Our goal is to process electronic T1 returns (EFILE and NETFILE) within an average of two weeks of receipt	100%	1.6 weeks	1.6 weeks	1.6 weeks
Processing T1 individual income tax returns (paper)	Our goal is to process a paper T1 return and mail a notice of assessment and refund, if applicable, within an average of four to six weeks	100%	4.3 weeks	5 weeks	5.6 weeks
Processing T3 trust returns	Our goal is to process T3 trust returns within four months	95%	98.7%	99.3%	96.3%
Responding to taxpayer-requested adjustments (T1)	Our goal is to complete the adjustment and mail a notice of reassessment within an average of eight weeks, provided all requisite information has been received from the taxpayer	100%	7 weeks	7 weeks	7 weeks
Responding to taxpayer-requested adjustments (T1) received by Internet	Our goal is to complete the adjustment and mail a notice of reassessment within an average of two weeks, provided all requisite information has been received from the taxpayer	100%	2 weeks	1.6 weeks	1.6 weeks

[1] **The service standard was revised in 2013-2014, therefore no prior-year results are available.**

[2] **The service standard was introduced in 2013-2014, therefore no prior-year results are available.**

Reporting Compliance

Service	Standard	Target	2012-13	2013-14	2014-15
Claims – SR&ED tax incentives – claimant-requested adjustments to non-refundable claims	Our goal is to process claims for tax incentives from businesses conducting scientific research and experimental development (SR&ED) in Canada within 365 calendar days from receipt of a complete claim for non-refundable claims related to adjustments requested to previously filed income tax returns	90%	94%	93%	95%
Claims – SR&ED tax incentives – claimant-requested adjustments to refundable claims	Our goal is to process claims for tax incentives from businesses conducting scientific research and experimental development (SR&ED) in Canada within 240 calendar days from receipt of a complete claim, for refundable claims related to adjustments requested to previously filed income tax returns	90%	95%	96%	93%
Claims – SR&ED tax incentives – non-refundable claims	Our goal is to process claims for tax incentives from businesses conducting scientific research and experimental development (SR&ED) in Canada within 365 calendar days from receipt of a complete claim for non-refundable claims	90%	96%	96%	96%
Claims – SR&ED tax incentives – refundable claims	Our goal is to process claims for tax incentives from businesses conducting scientific research and experimental development (SR&ED) in Canada within 120 calendar days from receipt of a complete claim for refundable claims	90%	96%	96%	95%
Claims – video and film tax credits – refundable claims - audited	Our goal is to review T2 corporation income tax returns which include claims for the Canadian Film or Video Production Tax Credit, the Film or Video Production Services Tax Credit, the B.C. Film and Television Tax credit, the B.C. Production Services Tax Credit, the Manitoba Film and Video Production Tax Credit, and the Ontario Film and Television Tax Credit, and the Ontario Production Services Tax Credit within 120 calendar days from the date of receipt where audit action is undertaken	90%	90.5%	96%	94%

Service	Standard	Target	2012-13	2013-14	2014-15
Claims – video and film tax credits – refundable claims - unaudited	Our goal is to review T2 corporation income tax returns which include claims for the Canadian Film or Video Production Tax Credit, the Film or Video Production Services Tax Credit, the B.C. Film and Television Tax credit, the B.C. Production Services Tax Credit, the Manitoba Film and Video Production Tax Credit, and the Ontario Film and Television Tax Credit, and the Ontario Production Services Tax Credit within 60 calendar days from the date of receipt where no audit action is undertaken	90%	96.2%	96%	96%

Appeals

Service	Standard	Target	2012-13	2013-14	2014-15
First contact letter for disputes	Our goal is to acknowledge taxpayer disputes within 30 calendar days after we receive them	85%	84%	85.2%	91.5%
Problem Resolution Program – acknowledge receipt	Our goal is to acknowledge receipt of a problem within two business days	95%	98.2%	98.3%	97.8%
Problem Resolution Program – resolution	Our goal is to resolve the problem within 15 business days. If we cannot (for example, if a case is complex), we will make contact within 15 business days to indicate an anticipated date of resolution	95%	98.2%	98.2%	98.3%
ServiceComplaints – two-day acknowledgement	Our goal is to acknowledge receipt of the complaint within two business days	80%	92%	85.8%	98.3%
ServiceComplaints – 30 day resolution	Our goal is to resolve the complaint within 30 business days	80%	94.3%	95.3%	95.9%

Benefit Programs

Service	Standard	Target	2012-13	2013-14	2014-15
Canada child tax benefit enquiries - telephone service level	Our goal is to respond to calls in the agent queue within two minutes	75%	78%	75%	76%
GST/HST credit enquiries telephone service level	Our goal is to respond to calls in the queue within two minutes	75%	77%	75%	75%
Processing benefit applications and marital status change forms – accuracy	Our goal is to accurately process the appropriate payment and notice and, if necessary, issue a letter requesting additional information	98%	98.7%	99%	99.1%
Processing benefit applications and marital status change forms – timeliness	Our goal is to issue a payment, notice, or explanation within 80 calendar days	98%	99.8%	99.5%	99.1%
Responding to benefit and credit enquiries – accuracy	Our goal is to respond to written enquiries and telephone referrals from call centres, with the correct information, and accurately process new recipient information, including issuing a payment, notice, or letter	98%	98.1%	98%	98%
Responding to benefit and credit enquiries – timeliness	Our goal is to respond to written enquiries and telephone referrals from call centers within 80 calendar days	98%	98%	99.1%	98.7%
Benefits validation and compliance – results of review	Our goal is to inform you of the result of our review within 45 calendar days after we receive the information requested	90%	99%	98.9%	99.6%
Processing a request to authorize or cancel a representative – paper	Our goal is to process your complete paper request to authorize or cancel a representative in 20 business days or less of receipt by the CRA provided the request is complete	90%	N/A[1]	96.1%	95.2%
Processing a request to authorize or cancel a representative – electronic	Our goal is to process your complete electronic request to authorize or cancel a representative in 5 business days or less of receipt by the CRA provided the request is complete	90%	N/A[1]	99.4%	97.4%

[1] The service standard was introduced in 2013-2014, therefore no prior-year results are available.

Internal Services

Service	Standard [1]	Target	2012-13	2013-14	2014-15
Service standards for taxpayer requests for statistical tax data	Our goal is to respond to taxpayer requests for statistical data within an average of 30 calendar days	100%	14 days	11 days	11 days

Retirement of service standards in 2015-16

The CRA remains committed to developing relevant service standards designed to respond to clients and to changes in the operating environment. As part of the ongoing review process, the Agency will retire two service standards related to deferred profit sharing plans – amendments and terminations, and amendments to registered pension plans.

As part of a recent business transformation, the CRA is testing a new process where all registered plans are subject to a comprehensive, risk-based review on a cyclical basis. This will make sure they comply with the *Income Tax Act*. This change in process means the two service standards are no longer relevant. The CRA consulted with stakeholders, who gave positive feedback on the new process.

Program	Service	Standard	Target
Taxpayer and Business Assistance	Deferred profit sharing plans – Amendments and terminations	The goal is to review requests to amend and to terminate plans within 270 calendar days	80%
	Amendments to registered pension plans	The goal is to review pension plan amendments for compliance with the *Income Tax Act* within nine months	80%

Converting service standards in 2015-2016

As of April 1, 2015, the CRA will convert two external service standards related to the Problem Resolution Program to internal performance standards. The Problem Resolution Program specializes in resolving sensitive cases requiring immediate attention. It is designed to address tax- or benefit-related issues where normal administrative and operational channels were unable to do so. As taxpayers and benefit recipients do not have direct access to the Program, it is not relevant to include the Program with our external service standards. Canadians with routine questions or concerns can continue to contact the CRA using the regular service channels: phone, mail, and Internet.

Program	Service	Standard	Target
Appeals	Problem Resolution Program – acknowledge receipt	The goal is to acknowledge receipt of a problem within two business days	95%
	Problem Resolution Program – resolution	The goal is to resolve the problem within 15 business days. If we cannot (for example, if a case is complex), we will make contact within 15 business days to indicate an anticipated date of resolution	95%

Simplification of service standards

Over the coming year, the CRA will be rewording several service standards to make them clearer and easier for taxpayers and benefit recipients to understand. These changes will not affect how the service standards are calculated or measured.

Appendix C
Other items of interest

Public Service Commission and Assessment of recourse reports

The *Canada Revenue Agency Act* requires the CRA to include in its annual reporting a copy of any report produced under section 59 or a summary statement of any assessment produced under subsection 56(1). The report and assessment are produced on an as needed basis.

During 2014-2015, the Public Service Commission did not prepare, or have prepared on its behalf, a report to the CRA pursuant to section 59 of the *Canada Revenue Agency Act* on the consistency of the Agency's staffing program with the principles set out in the summary of its corporate business plan. For the same period, the CRA did not prepare pursuant to subsection 56(1) of the *Canada Revenue Agency Act* an assessment of the recourse the Agency provides or administers in its management of human resources.

Board Commitments and Performance Dashboard

The CRA Board of Management introduced a new internal oversight instrument in 2014-2015, the *Board Commitments and Performance Dashboard*. The Dashboard provides the Board with a quarterly update on the status of the CRA's commitments from the Corporate Business Plan.

Benefit programs and benefit-related services delivered by the Canada Revenue Agency

Six federal benefit programs

Canada child tax benefit

Disability tax credit

Goods and services tax / harmonized sales tax credit

Children's special allowances

Universal child care benefit – on behalf of Employment and Social Development Canada

Working income tax benefit advance payments

Twenty-eight ongoing benefit programs for provinces and territories

Program	1st year	Program	1st year
British Columbia – BC family bonus	1996	Newfoundland and Labrador seniors' benefit	1999
Alberta family employment tax credit	1997	Saskatchewan low-income tax credit	2000
New Brunswick child tax benefit	1997	Newfoundland and Labrador – mother baby nutrition supplement	2001
New Brunswick working income supplement	1997	Ontario child benefit	2007
Newfoundland and Labrador harmonized sales tax credit	1997	British Columbia low-income climate action tax credit	2008
British Columbia – BC earned income benefit	1998	Ontario senior homeowners' property tax grant	2009
Saskatchewan child benefit	1998	Ontario sales tax credit	2010
Northwest Territories child benefit	1998	British Columbia harmonized sales tax credit	2010
Northwest Territories – territorial worker's supplement	1998	Nova Scotia affordable living tax credit	2010
Nova Scotia child benefit	1998	Ontario energy and property tax credit	2011
Yukon child benefit	1999	Northern Ontario energy credit	2011
Nunavut child benefit	1999	Ontario trillium benefit	2012
Nunavut – territorial worker's supplement	1999	New Brunswick school supplement	2012
Newfoundland and Labrador child benefit	1999	Prince Edward Island sales tax and credit	2013

Ten one-time payment programs

Program	1st year	Program	1st year
Relief for heating expenses (federal)	2000	Energy cost benefit (federal)	2005
British Columbia – BC energy rebate	2001	Alberta 2005 resource rebate	2005
Alberta energy tax refund	2001	Ontario home electricity relief	2006
Ontario taxpayer dividend	2001	British Columbia climate action dividend	2008
Nova Scotia taxpayer refund	2003	Ontario sales tax transition benefit	2010

Ninety-one data exchange and data transfer services

Fifty-six income verification data exchanges with provinces to support programs

Ten national child benefit supplement data exchanges with provinces and territories to facilitate the calculation of social assistance

Five data transfers with provinces to support top-ups for CRA-administered child benefit programs

Two data transfers of income and child information to support administration of the Ontario child care supplement and Quebec family allowance programs

Nine data exchanges and transfers to support the Nova Scotia pharmacare program, the British Columbia low-income climate action tax credit, Ontario senior homeowners property tax grant, Ontario sales tax credit, Ontario energy and property tax credit/ Northern Ontario tax credit, Ontario trillium benefit, BC harmonized sales tax credit, Prince Edward Island sales tax credit, and to assist the ministère du Revenu du Québec in administering the *Quebec Taxation Act*

Nine data exchanges and data transfers to support federal administration of the employment insurance family supplement, guaranteed income supplement, Canada learning bond, additional canada education savings grant, registered disability savings plan and Canadian disability savings grant, Old Age Security, and universal child care benefit

Appendix D
Definitions

Appropriation: Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

Budgetary expenditures: Include operating and capital expenditures; transfer payments to other levels of government, organizations, or individuals; and payments to Crown corporations.

Departmental performance report: A report on an appropriated organization's accomplishments against the plans, priorities, and expected results set out in the corresponding report on plans and priorities. The report is tabled in Parliament in the fall.

Full-time equivalent: Is a measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

Government of Canada outcomes: A set of 16 high-level objectives defined for the Government as a whole, grouped in four spending areas: economic affairs, social affairs, international affairs, and government affairs.

Management, resources, and results structure: A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators, and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the strategic outcomes to which they contribute. A management, resources and results structure is developed from the program alignment architecture.

Non-budgetary expenditures: Include net outlays and receipts related to loans, investments, and advances, which change the composition of the financial assets of the Government of Canada.

Performance: What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve, and how well lessons learned have been identified.

Performance indicator: A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy, or initiative respecting expected results.

Performance reporting: The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability, and transparency.

Planned spending: For reports on plans and priorities and departmental performance reports, planned spending refers to those amounts that receive Treasury Board of Canada Secretariat approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates. A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a

departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their reports on plans and priorities and departmental performance reports.

Plan: The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

Priorities: Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired strategic outcomes.

Program: A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program alignment architecture: A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the strategic outcomes to which they contribute.

Report on plans and priorities: Provides information on the plans and expected performance of an appropriated organization over a three-year period. This report is tabled in Parliament each spring.

Results: An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of one organization, policy, program, or initiative. Instead, they are within the area of the organization's influence.

Statutory expenditures: Expenditures that Parliament has approved through legislation other than appropriation acts. The legislation sets out the purpose of the expenditures and the terms and conditions under which they may be made.

Strategic outcome: A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision, and core functions.

Sunset program: A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level, and duration.

Target: A measurable performance or success level that an organization, program, or initiative plans to achieve within a specified time. Targets can be either quantitative or qualitative.

Voted expenditures: Expenditures that Parliament approves annually through an Appropriation Act. The Vote wording becomes the governing conditions under which these expenditures may be made.

Whole-of-government framework: Maps the financial contributions of federal organizations receiving appropriations by aligning their programs to a set of 16 government-wide, high-level outcome areas, grouped under four spending areas.

Endnotes

i. Copyright information, www.cra.gc.ca/cpyrght-eng.html

ii. *Canada Revenue Agency Act*, www.laws-lois.justice.gc.ca/eng/acts/C-10.11/

iii. Government of Canada, www.Canada.ca

iv. Get it in Writing, www.cra-arc.gc.ca/nwsrm/txtps/2014/tt140903-eng.html

v. Whole-of-government framework, www.tbs-sct.gc.ca/ppg-cpr/frame-cadre-eng.aspx

vi. Public Accounts of Canada 2015, www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html

vii. My Account, www.cra-arc.gc.ca/myaccount/

viii. Registration of Tax Preparers Program, www.cra-arc.gc.ca/rtpp/

ix. Child and family benefits, www.cra-arc.gc.ca/benefits/

x. Canada Revenue Agency Security, www.cra.gc.ca/security

xi. Service complaints, www.cra-arc.gc.ca/complaints

xii. *2014-15 Department Performance Report*, www.cra-arc.gc.ca/gncy/prfrmnc_rprts/menu-eng.html

xiii. *2014-15 Report on Plans and Priorities*, www.cra-arc.gc.ca/gncy/rprts/menu-eng.html

xiv. Supplementary information tables, www.cra-arc.gc.ca/gncy/prfrmnc_rprts/menu-eng.html

xv. Canada Revenue Agency, www.cra-arc.gc.ca

xvi. Tax Expenditures and Evaluation publication, www.fin.gc.ca/purl/taxexp-eng.asp